UNITED NATIONS

General Assembly

FORTY-EIGHTH SESSION

Official Records

SECOND COMMITTEE
8th meeting
held on
Wednesday, 13 October 1993
at 10 a.m.
New York

SUMMARY RECORD OF THE 8th MEETING

Chairman: Mr. MONGBE (Benin)

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Distr. GENERAL
A/C.2/48/SR.8
10 November 1993
ENGLISH
ORIGINAL: FRENCH

93-81529 (E)

The meeting was called to order at 10.10 a.m.

CONCLUSION OF THE GENERAL DEBATE

AGENDA ITEM 91: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (A/48/140, A/48/172, A/48/205-S/25923, A/48/209-S/25937, A/48/222, A/48/291-S/26242, A/48/309, A/48/331, A/48/337, A/48/338, A/48/350, A/48/353-S/26372, A/48/379-S/26411, A/48/380)

(j) INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY (A/48/317, A/48/445-S/26501)

AGENDA ITEM 97: INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT (A/48/182, A/48/338, A/48/367)

1. Mr. PENNANEACH (Togo) said that, in spite of the hopes that had been raised by the end of the cold war, all of mankind - especially the African countries - was suffering great hardships. The world economic crisis was deepening and the gap between North and South continued to widen.

2. As the World Economic Survey, 1993 indicated, per capita production in Africa continued to decline. Moreover, population growth in developing countries exacerbated the problem of poverty; that was why his delegation attached great importance to the International Conference on Population and Development.

3. Urgent measures should be taken to restructure international economic relations on a more equitable basis, since exports from developing countries continued to be subjected to stiff protectionist measures that negated the development efforts of those countries. Another obstacle was the constant decline of commodity prices and the deterioration of terms of trade to the detriment of the developing countries.

4. The new model for cooperation should seek to open markets, take measures against arbitrary restrictions and the fall of commodity prices and create a diversification fund for the commodities of poor countries. The time had come to renew the North-South dialogue and to liberalize trade, and it was therefore necessary to conclude the Uruguay Round as soon as possible. The collapse of commodity prices and the crushing debt-service burden had aggravated the economic and social situation, particularly in the least developed countries, most of which were in Africa. In those countries, poverty was widespread and, in order to alleviate the crisis, the Governments had undertaken courageous macroeconomic reforms, which, unfortunately, had not produced the expected results. It was therefore necessary to re-examine the structural adjustment programmes by concentrating on ways of alleviating the debt burden. The proposals made at Tokyo in July 1993 by the Group of Seven should be further developed. In that regard, it was important to bear in mind General Assembly resolution 47/198, which invited donor countries and multilateral financial institutions to adopt new measures with a view to easing the debt and debt-service burden of the developing countries. The industrialized countries should also make the necessary effort, in accordance with Assembly resolution 47/197,

(Mr. Pennaneach, Togo)

to allocate 0.7 per cent of their gross national product (GNP) for official development assistance (ODA).

5. Since many African countries suffered from absolute poverty, urgent measures should be taken to carry out the various programmes and plans of action to promote development that had already been adopted, in particular the United Nations New Agenda for the Development of Africa in the 1990s, which had not yet been implemented.

6. If it was true that each country was responsible for the success of Agenda 21, it was also true that sustainable development required additional financial resources and the transfer of appropriate technologies. The Commission on Sustainable Development should heighten awareness about Agenda 21 in order to promote the implementation of that programme, which had been adopted at the United Nations Conference on Environment and Development. In that regard, Togo welcomed the progress that had been made by the Intergovernmental Negotiating Committee for the elaboration of an international convention to combat desertification in those countries experiencing serious drought and/or desertification, particularly in Africa.

7. It was clear that the human person should be at the centre of development, and the Secretary-General's elaboration of a Programme of Action for the Least Developed Countries for the 1990s was a particularly useful initiative. However, it was necessary to coordinate activities in order to ensure that the Programme of Action did not overlap with the well-defined objectives of Agenda 21. In that regard, his delegation supported the proposal made by the representative of Brazil to hold informal discussions to avoid duplication.

8. The elimination of poverty, the stabilization of job markets, the search for solutions to the debt problem and the opening of world markets to the products of developing countries were challenges that the international community and the United Nations system should endeavour to meet through better defined multilateral cooperation and the restructuring of the Organization in the economic and social fields, in accordance with General Assembly resolution 45/177. That was a long-term undertaking, but persisting on the path of injustice would inevitably lead to calamity; that was why, in order to avert the threats looming on the horizon, the only solution was to strengthen international solidarity.

9. Mr. GUERRERO (Philippines) said that, in formulating its draft resolutions, the Committee should strive for quality rather than quantity and ensure that the draft resolutions were action-oriented. In the case of non-implemented suggestions, the Committee should consider what measures it could take to ensure their implementation. Moreover, the Committee could consolidate related issues in one resolution.

10. His delegation stressed three concepts that seemed to be of particular interest. The first concerned people empowerment, the conviction that the human person should be at the centre of development activities and the need to improve the quality of life of all peoples. That concept was in line with the spirit of the Charter of the United Nations, as well as the declaration adopted by the General Assembly at its eighteenth special session, the International

(Mr. Guerrero, Philippines)

Development Strategy for the Fourth United Nations Development Decade, the Rio Declaration and the declaration of the Vienna World Conference on Human Rights.

11. All States should contribute to improving the quality of life of peoples and, in that context, to the eradication of poverty, since poverty constituted one of the main obstacles to that end. He therefore welcomed the proclamation, through the Committee's efforts, of the International Day for the Eradication of Poverty, which would be observed on 17 October.

12. Long-term measures for the eradication of poverty necessarily included programmes for national capacity-building and human resources development, which should enjoy the support of the international community. Such programmes were already an established part of the operational activities of the United Nations system and the Philippines supported the efforts made by the United Nations Development Programme (UNDP) and other international agencies to promote national capacity-building, particularly through the transfer of technology and privatization.

13. International competitiveness, the second concept, enhanced the national development of peoples, in accordance with the principle of comparative advantage, and encouraged the exchange of goods and services. An international order conducive to the development of free competition, in a spirit of peace, justice and collaboration, was more urgently required than ever before. For that reason, the Philippines deplored those policies and practices of developed countries which curtailed the competitiveness of other countries, for instance, their inflexible stand against debt relief, their trade-distorting subsidies and protectionist measures, their excessive tariff and non-tariff barriers and their investment bias in favour of other developed countries. The United Nations, inter alia, through the UNDP "Capacity 21" initiative and the United Nations Industrial Development Organization (UNIDO), could make a significant contribution to the promotion of international competitiveness, for instance by strengthening scientific and technological cooperation for industrial development and cooperation in the search for and utilization of water, mineral and other resources and new sources of energy, as well as in the areas of agriculture, fisheries and environmental conservation. In addition, each developing country should take advantage of all the means available through the United Nations system to strengthen its competitive potential.

14. The third concept was that of macroeconomic stability. The international economic situation was undoubtedly of decisive importance for the success or failure of any given country's development efforts. The fiscal and monetary policies of the industrialized countries had a great impact on the economies of the developing countries, and the developed countries should be more aware of the disruptive effects which their policies could have on the entire international economic order.

15. In order to ensure that developing countries had the necessary financial resources to guarantee their competitiveness at the international level, international economic cooperation should aim to give those countries better access to the markets of industrialized countries; to eliminate non-trade-related conditions which impeded their trade; to increase flows of ODA and to

(Mr. Guerrero, Philippines)

improve their targeting; and to forgive the debt of low- and middle-income countries, particularly when the principal had already been paid.

16. The agenda for development and the North-South dialogue were also matters which the Organization should pursue, but it could achieve results in those areas only if it showed a spirit of cooperation and good will.

17. Mr. TÜRK (Slovenia), noting that a number of countries were moving towards a market-economy system and, thus presenting a new reality for the world economy, recalled that, in its resolution 47/187, the General Assembly had recognized that the full integration of the economies in transition into the world economy should have a positive impact on world trade, economic growth and development, and that there was a need for the international community to support the successful process of bringing about economic reforms and restructuring of those economies. To that end, efforts should be made to guarantee access to world markets, to promote free trade and to strengthen regional economic cooperation.

18. Since gaining independence in 1991, Slovenia had attained a substantial degree of macroeconomic stability. The decrease in inflation, the annual rate of which was expected to be around 25 per cent by the end of 1993 and to continue to decline in 1994, and the positive results in foreign trade were nevertheless accompanied by a drop in production and increased unemployment. The priority goals of his Government's economic policy in 1993 were to strengthen macroeconomic stability and to create conditions for long-term growth. Where monetary policy was concerned, Slovenia had endeavoured to reduce interest rates, which had dropped from about 30 per cent at the beginning of 1992 to approximately 11 per cent in April 1993, and to exercise firmer control over exchange rates. Slovenia had also undertaken reforms designed to guarantee the safety of investments and to promote entrepreneurship. To that end, it had concluded a number of international treaties and had adopted a system of internal incentives for small and medium-sized enterprises. Another important aspect of Slovenia's integration into the world economy was its recent admission to the International Monetary Fund (IMF) and the World Bank and its forthcoming membership of the General Agreement on Tariffs and Trade (GATT).

19. The macroeconomic projections for the period 1994-1997 were based on a growth rate of 4 to 5 per cent towards the end of the period and the improvement in investment rates from the current 16 per cent to 21 per cent of GDP in 1997. Those projections were based on certain assumptions: a reduction of the current account surplus, a decline in the share of the public sector in GDP, and a moderate drop in private consumption in 1994. During the period until 1995, Slovenia would be launching major programmes in privatization, the restructuring of enterprises and the reorganization of the banking sector. Reforms would also be implemented in the public sector, inter alia, in pricing and anti-monopoly regulations. Those measures should begin to bear fruit after 1995.

20. In view of the increasing importance of the world economy and the internationalization of markets, it was essential to strengthen multilateral economic and technological cooperation in order to revitalize growth and sustain development, particularly in the developing countries.

(Mr. Türk, Slovenia)

21. The human factor was a vital element in the development process. It was therefore important to develop human resources and to ensure continuing training for the mobilization and use of financial and natural resources, and for the promotion and transfer of the technical skills indispensable for lasting development.

22. With regard to the development activities of the United Nations system, Slovenia commended the outstanding role played by UNDP through its development projects worldwide and it hoped to continue and to strengthen its cooperation with the Programme.

23. The United Nations Conference on Environment and Development (UNCED) had placed the concept of sustainable development among the priorities of the international community. Agenda 21 and the Conventions on climate change and biodiversity had transformed that concept into an international programme of action. Slovenia had supported the establishment of the Commission on Sustainable Development and the adoption of General Assembly resolution 47/191 on institutional arrangements to follow up UNCED. The first session of the Commission had confirmed the relevance of that body for the implementation of the various decisions taken at Rio.

24. The fundamental changes which had shaken the world over the previous few years had created great opportunities for the international community, while also posing formidable challenges. It was therefore vital to strengthen international economic cooperation and, for its part, Slovenia would actively contribute to that end.

25. Mr. OLISEMEKA (Nigeria) said that, despite the unprecedented changes which had recently taken place on the international scene, the establishment of peace and security and the founding of a new world order continued to be inhibited by political and ethnic conflicts, economic and social disorder and deepening poverty, particularly in developing countries. It was therefore necessary to find lasting solutions, since the consequences of inaction were incalculable.

26. The global economic situation remained uncertain and, with the exception of a few countries, the general outlook was not encouraging. Recovery in the developed countries had failed to materialize and the contrast between economic progress in some countries and regression and stagnation in others was a constant feature of the global economic environment. Although the situation was very much at variance with the aims embodied in the Charter of the United Nations, it should be acknowledged that it would have been worse without the United Nations. The Organization's contribution was crucial and should be reinforced.

27. The African countries continued to be weighed down by the burden of external debt, which had amounted to approximately $280 billion at the end of 1992, a figure which was equivalent to 150 per cent of that continent's aggregate export revenues. Moreover, servicing the debt had consumed about 24 per cent of that revenue. It was now recognized that debt-management initiatives had not been sufficient to revitalize the economies of those countries. In the circumstances, the African countries and their partners

(Mr. Olisemeka, Nigeria)

should continue to seek ways of significantly reducing debt stock and servicing. Vast resources should to be invested in programmes to upgrade productive capacities, modernize institutions and develop infrastructures. Moreover, the current impasse in the negotiations of the Uruguay Round was viewed with serious concern in Africa, which attached great importance to the expansion of international trade and the elimination of protectionist barriers.

28. His country believed that, within the context of the agenda for development, the United Nations should endeavour to enhance awareness of the need for an integrated approach to development which would take account of specific national and regional circumstances. Such an approach implied that there need be no trade-off between efficiency and equity and that economic growth did not necessarily imply high social costs. An agenda for development should accordingly focus on peace, political stability, participatory governance and cooperation for sustainable development.

29. Priority must be given to the needs of the poorest countries and regions. The eradication of poverty required both substantial transfers of resources from the developed countries and an increased determination on the part of the developing countries to improve economic management and combat social and economic inequalities. In that regard, clearer goals should be defined, within a specific time-frame, in particular the elimination of hunger and malnutrition by the year 2000. Earnings from commodity exports must be increased so that they could contribute more adequately to the development of third world countries, and the developed countries must abandon protectionism. Those objectives, as well as others relating to manufactured goods and the reform of the international monetary system, called for considerable transfers of funds.

30. His country believed that whatever their differences, the developed and developing countries had mutual interests. It was therefore imperative, as a matter of urgency, to take concrete steps to prevent the world situation from deteriorating still further.

31. Mr. AWOONOR (Ghana) said that the Committee was beginning its work at a time when the global economic outlook was extremely gloomy. Reforms which the developing countries had had to introduce under various structural adjustment programmes had imposed considerable hardship on their populations. Economic stabilization measures had had the effect of raising prices; subsidies on which disadvantaged segments of the population depended had been removed; and many infant industries had been wiped out owing to the dumping of cheap goods from abroad. The great sacrifices being made by the developing countries would, however, be in vain if the imbalances in international economic relations were not redressed and if the world economy, which was dominated by the rich countries, was not reformed. Measures should be taken to strengthen international cooperation, coordinate macroeconomic policies and increase the participation of the developing countries in the global economic mainstream. Moreover, the efforts of the developing countries to revitalize their economic growth would yield little benefit if the system of international trade impeded the access of their goods to the markets of the developed countries. the developing countries could realize their comparative advantage in certain products only if they were able to increase their share of world trade within an equitable, secure and non-discriminatory system of international trade.

(Mr. Awoonor, Ghana)

32. In order to revitalize their economic growth and speed up development, the developing countries must be provided with financial resources on a stable and adequate basis. In that regard, it was regrettable that most donor countries had not yet fulfilled their commitment to devote 0.7 per cent of their GNP to official development assistance. In that connection, he stressed the importance of development financing and endorsed the recent appeal by the Ministers of Foreign Affairs of the Group of 77 for the convening of an international conference on that topic.

33. In his report on the work of the Organization, the Secretary-General noted that the gap between the world's richest and poorest countries was widening, yet that shocking fact was more often than not greeted by indifference. Three years after the eighteenth special session of the General Assembly, concerted international action had still not been taken to revitalize the economic growth of the developing countries.

34. At its forty-seventh session, the General Assembly had taken an important initiative in requesting the Secretary-General to set out the United Nations approach to development as a basis for a new international initiative to address the issues of development.

35. The formulation of a set of proposals to help the developing countries to emerge from underdevelopment required not only the building of a significant international consensus around a new partnership between developed and developing countries, but also establishment of the principles of equity and solidarity as the basis for that new cooperation. The increasing interdependence of States strengthened the sense of purpose of the United Nations to ensure the active participation of all countries in the global economy on the basis of shared responsibility and mutual commitment.

36. The right to development, as enunciated in the Rio Declaration of the United Nations Conference on Environment and Development, required each country to be responsible for its own economic policies in accordance with its own specific situation. However, the revitalization of economic growth also required a concerted effort on the part of the international community. The United Nations should therefore endeavour to mobilize international efforts to pursue a new approach to development.

37. The agenda of the United Nations should be built on a new partnership based on the recognition of sovereign equality, mutual interest and shared responsibilities. A central feature of that partnership would be the strengthening of multilateral cooperation.

38. In order to take a realistic approach to development it was essential to recognize the primacy of the United Nations in the development dialogue. The Organization must endeavour to instigate new approaches to economic and social policy and collaborate more closely with the Bretton Woods institutions.

39. Aid and development policies should be redefined in a new framework in which poverty eradication, the advancement of women, and environmental protection received primary attention. The conditionality of external assistance and the attempts to link it to economic performance had devastating

(Mr. Awoonor, Ghana)

consequences for the developing countries which depended on external sources of finance. The solution of those problems would require the creation of a favourable world economic environment and the launching of a new initiative in which the United Nations would take the lead and act as the main intermediary between developed and developing countries.

40. A constructive dialogue must be established between North and South in order to identify areas of mutual interest and establish mutual commitments. There too, the United Nations should encourage a new philosophy for development which would restructure North-South production relations and remove the unbalanced production structures and the obstacles to the ending of poverty in the world.

41. The progress made in managing the debt of the developing countries remained insufficient. A large number of developing countries, particularly in Africa, still had to bear the debt burden. Additional measures to improve debt management were therefore required. The Paris Club, for example, should relax its early eligibility conditions in order to bring in a large number of low-income countries. In fact, the best way for the developed countries to relaunch the world economy and eliminate poverty would be to create a debt-consolidation mechanism.

42. The United Nations remained the most appropriate forum for addressing economic and developmental issues which threatened international peace and security. The Secretary-General should apply to that issue the same vigour as he had demonstrated in peace-keeping matters. His peace-keeping efforts would be enhanced if he placed development and poverty eradication at the top of his agenda and if he took the necessary action to ensure that the key players recognized their responsibilities and realized that the world would never know peace as long as underdevelopment persisted. All countries, and in particular the developing ones, should support such an initiative. The United Nations must move to centre stage to resolve the development issue which had been ignored for so long by the international community.

43. Mr. GERVAIS (Côte d'Ivoire) said that, given the deterioration in the economic and social situation in the world, there was now agreement on the need for a fundamental revision of socio-economic policies and international cooperation. New ideas were emerging, and it was now accepted that democracy, economic liberalism, environmental protection, the protection of human rights, and population were all factors which must be taken into account in order to ensure economic and social progress. Now that those principles were accepted, they must be translated into concrete measures to promote development, and it was the Committee's task to draw the attention of the General Assembly to that point.

44. If the World Economic Survey was correct, the developed countries could provide only a weak growth pole for the rest of the world; they were nevertheless the keystone of any large-scale action to relaunch growth. That was why the developing countries expected initiatives from them - including the liberalization of international trade - and a greater political will stemming from a necessary feeling of solidarity in the face of world problems.

(Mr. Gervais, Côte d'Ivoire)

45. With the international situation in their favour the developing countries had played a leading role in the economic prosperity of the 1960s and 1970s and had made a far from negligible contribution to the performance of the world economy. Now that serious problems were impeding their economic and social progress, an effort must be made to provide solutions to those problems without delay. Unfortunately, the developing countries had difficulty in detecting on the part of the developed countries a determined political will commensurate with their expectations.

46. Many programmes and projects had of course been adopted, but it was now to be hoped that all the envisaged measures for the promotion of sustainable development would at last be put into effect. Global action must be taken as part of a coherent approach addressing all the aspects of poverty in the world.

47. The United Nations must now be able to play a leading role in the economic and social fields. Côte d'Ivoire welcomed the current negotiations on the restructuring of the Organization in the economic field, for they were evidence of the desire to enhance the effectiveness and rationalize the development activities of the United Nations system.

48. It had been difficult to reach a consensus on the appointment of a United Nations resident coordinator, and the Côte d'Ivoire hoped that satisfactory solutions would be found. It also hoped that the problems connected with the composition of the various organs in the United Nations system would be settled and it looked forward to the Secretary-General's proposals concerning the Agenda for Development.

49. Côte d'Ivoire hoped that the forthcoming big gatherings and conferences, in particular those concerning population, social development, human settlements, and the role of women in development, would lead to the adoption of concrete measures of benefit to the developing countries.

50. The CHAIRMAN said that the Committee had completed the general debate. He reviewed the main points raised and noted that a very large number of delegations had spoken; various useful suggestions had been made for rationalization of the Committee's work.

AGENDA ITEM 91: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (Part I) (A/48/140, A/48/172, A/48/205-S/25923, A/48/209-S/25937, A/48/222, A/48/291-S/26242, A/48/309, A/48/331, A/48/337, A/48/338, A/48/350, A/48/353-S/26372, A/48/379-S/26411, A/48/380)

(j) INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY (A/48/317, A/48/445-S/26501)

AGENDA ITEM 97: INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT (A/48/182, A/48/338, A/48/367)

51. Mr. OSSA (Director, Department of Economic and Social Information and Policy Analysis) introduced the following four reports of the Secretary-General: the report on the impact of the recent evolution of the economies in transition on the world economy (A/48/331); the report entitled "Integration of the

economies in transition into the world economy: the role of the United Nations" (A/48/317); the report on economic stabilization programmes in developing countries (A/48/380); and the report on financing for development (A/48/367), and focused on the conclusions of each of the documents.

52. The conclusions of the first report (A/48/331) were as follows: the rapid and sustained growth of the world economy would substantially facilitate the transition process and would reduce its adverse effects on the developing countries. There was little doubt that in the long term the impact of the transition would be highly positive for the growth of the world economy and the overwhelming majority of the developing countries. However, there had been a perceptible shift in international attention from issues facing those countries. That attention should be more fairly distributed among the problems of the two groups of countries, with particular attention to certain developing countries, including Cuba, Mongolia and Viet Nam, whose trade and financial links to the countries in transition had been completely disrupted. Lastly, since the number of developing countries was increasing, it was critically important for donor countries to look for ways to increase the volume of aid they provided to them. ODA transfers to the countries in transition should be on a par with credits transferred to the developing countries.

53. The second report, on the integration of the economies in transition into the world economy (A/48/317), concluded that the integration of countries in transition into the world economy was the result of various factors: administrative decisions, international agreements, participation in the work of the United Nations system and multilateral institutions, and trade and financial links created by the interplay of market forces. As to the role of the United Nations, there was no doubt that the various United Nations bodies spared no effort to help accelerate the integration process. Nevertheless, new tasks called for new approaches and new forms of assistance. Experience had demonstrated that, for aid and cooperation to prove effective, the following three tenets must be applied: firstly, the transition economies themselves must carry out needs assessments covering both their domestic and group-wide situation, and they must establish their priorities for technical and financial assistance. Secondly, aid must be backed by the commitment of donors. Thirdly, donors must coordinate the technical and financial aid they delivered through clear sequencing.

54. The third report, on economic stabilization programmes in the developing countries (A/48/380) offered the following conclusions: the experience with stabilization and adjustment policies had been very diverse. While such policies had been successful in some countries, very often satisfactory growth did not materialize with the advent of macroeconomic adjustments. Recent experience indicated that whether or not successful adjustment created the conditions for the resumption of economic growth depended on three main factors: firstly, there had to be government commitment to a set of policies for a period of time sufficient to create a climate of confidence conducive to investments. Secondly, a more stable and predictable international environment was needed in which the rules of the game were transparent and observed by all. Thirdly, positive results would be achieved much more quickly with the more rapid growth of the world economy and adequate financial support for adjustment programmes. Effective external support enhanced the climate of confidence, attracted

(Mr. Ossa)

investors and was translated into increased income and savings, all elements which were mutually reinforcing and generated a positive chain reaction.

55. The last report (A/48/367), on financing for development, reviewed the efforts of the developing countries to promote domestic savings and secure the external resources they needed. Various policies were implemented to increase savings: restructuring of public expenditure, tax measures to increase government income, deregulation of the domestic capital market and measures to bring about macroeconomic stabilization. However, it was nearly impossible to apply such policies in low-income countries, including many countries in Africa, which were least able to attract foreign investments. Only external support could provide a solution.

56. However, the external official financing situation was very uneven. On the one hand, the multilateral financial institutions appeared to have sufficient resources for non-concessional flows. On the other hand, the outlook for concessional flows gave cause for concern: ODA had barely increased since the mid-1980s and there was no assurance that it would not decrease in the future. Given the multiplicity of current problems, the need for ODA was even greater. The commitment of the international community to ODA remained more indispensable than ever.

57. Mr. DIALLO (Director in Charge of the Division for Least Developed Land-Locked and Island Developing Countries of UNCTAD) introduced the report of the Secretary-General on the implementation of the recommendations of the report of the South Commission with special emphasis on South-South economic cooperation (A/48/350).

58. Since the 1950s developing countries viewed economic cooperation as an important factor in promoting trade expansion both among themselves and with third countries, expanding options available to them as they pursued their development objectives and facilitating their integration into the world economy. Unfortunately, as the report indicated, the past three decades of South-South cooperation had generated very few positive results.

59. However, South-South cooperation had gained new importance in the early 1990s as a result of the spectacular political and economic changes that had been taking place on the international scene, in particular, the shift to a market economy and the emergence of large trading blocs around the main global economic centres: the United States, the European Community and Japan. Those changes were prompting the developing countries to reconsider the problems of development and to view South-South cooperation as an essential element for reactivating growth and development in the South in response to the challenges of the 1990s.

60. The Commission's report highlighted the revival of South-South cooperation. An increasing number of initiatives had been launched by the developing countries during the past five years. At the sectoral level, for example, Governments of the South saw the value and need for cooperation in various fields, including food security. There also was evidence of renewed dynamism in subregional and regional cooperation and of acceleration of integration processes in Africa, Asia, Latin America and the Caribbean.

(Mr. Diallo)

61. Undoubtedly, South-South cooperation had entered a new, dynamic phase which would expand economic relations and strengthen political, social and cultural solidarity among developing countries. Maintaining the dynamism of that renewal in the 1990s and beyond required not only political will, but also, the implementation of specific programmes which could be translated into tangible results. The support of the international community also would be needed. Indeed, the recent changes introduced into the South-South cooperation process would enable the United Nations, multilateral financial institutions and developed countries to provide increased assistance. The report described the significant assistance to that process already provided by the Organization at various levels. It also emphasized that support for South-South cooperation must be monitored and analysed on a comprehensive and regular basis by the General Assembly of the United Nations.

62. Mr. JARAMILLO (Colombia), speaking on behalf of the Group of 77 and of the People's Republic of China, pointed out that the developing countries had on several occasions stated their position with regard to the evolution of countries in transition and the implications for themselves. The industrialized nations and the multilateral financial institutions should ensure that the allocation of resources to such countries did not result in a reduction or diversion of aid to the developing world. Though they had indeed given assurances to that effect, the flow of official development assistance (ODA) to third world countries had stagnated or even been reduced. The Organisation for Economic Cooperation and Development (OECD) had already recognized that certain European countries were eligible for ODA assistance, and others could be eligible for International Development Association (IDA) credits. That situation did not bode well for the developing countries, which had also introduced profound economic and political reforms, requiring significant investments, in particular in the struggle against poverty, and thus risked being excluded from financial flows and ODA. The United Nations should carefully monitor that issue and its implications for the developing world, and formulate corrective measures.

63. The principal obstacle facing economic stabilization programmes in developing countries was the prevailing international economic climate. Indeed, without sustained growth in the industrialized countries, the opening of their markets and an increasing flow of resources to third world countries, development of the latter would be neither stable nor durable. If stabilization programmes were to become politically viable, more attention must be paid to the social dimension of the adjustment process, to its effects on the most vulnerable groups and to the creation of appropriate social security mechanisms. The multilateral financial institutions should maintain stable policies and should not continually create new conditions for the mobilization of resources.

64. The developing countries could not be expected to implement economic stabilization programmes when the industrialized countries were manifestly incapable of rectifying serious imbalances that affected their own economies, as recent disorders in the currency markets had shown.

65. Various changes had recently upset the transfer of resources to a considerable number of developing countries. A good part of the mobilized funds had been attracted by an unusual disparity in interest rates. Most of that

(Mr. Jaramillo, Colombia)

capital had been transferred in the form of short-term financial investments, and its stability was thus precarious. That uncertainty, along with the existence of grave monetary and financial imbalances, the absence of effective policies directed at stimulating economic recovery in developing countries, the increasing loss of revenues caused by the fall in the prices of the principal commodities and the heavy burden that debt-servicing imposed on low-income countries, were some of the principal factors that justified the convening of an international conference on the financing of development.

66. The complexity of the situation called for solidarity of all countries. The United Nations was the most appropriate forum for considering the financing of development in an integrated manner. Unless the requisite financial resources were mobilized on a steady basis, peace and security could be gravely compromised. That complex question called for a substantive dialogue for the purpose of formulating viable mechanisms by means of which developing countries could meet their growing needs. Many of them had undertaken significant reforms of their economies, which required additional resources from industrialized countries as well as the creation of innovative coordination mechanisms for the financing of development. The Economic and Social Council should, for example, conduct a more detailed analysis of ODA, assess the results of aid-giving institutions, and open a dialogue with them. It was also crucial to explore potential new sources of funding. The peace dividend and the freeing of resources resulting from the elimination of agricultural subsidies in developed countries were two examples of such new possibilities.

67. The Secretary-General's report on developments pertaining to the implementation of the recommendations of the report of the South Commission (A/48/350) described the recent progress made in the field of South-South economic cooperation, a top priority of both the Group of 77 and China. The area of cooperation should be accorded greater attention, as well as significantly greater financial and technical support, from the United Nations system. The Commission's report also suggested that a periodic overview should be conducted, for example, every two years, on the subject of cooperation among developing nations, to promote such cooperation and to provide information to the General Assembly.

68. The report of the South Commission dealt with macroeconomic issues in a holistic manner and contained some concrete and useful proposals on trade, finance and other matters, which the United Nations system should strive to implement. That report should also be useful in the drafting of the agenda for development.

69. Mr. VAN DE CRAEN (Belgium), speaking on behalf of the European Community and its member States, stated that they were aware of the difficulties encountered by the countries of Central and Eastern Europe and of the Commonwealth of Independent States (CIS) during that period of political, social and economic transition. Encouraging signs of economic recovery were none the less apparent in those countries where the reforms were farthest advanced.

70. Technical assistance should be provided to countries in transition to assist them in facing the demands of competition and the market economy. While for the most part those countries abounded in human potential, their resources

(Mr. Van De Craen, Belgium)

were often poorly used or ill-adapted to the demands of the modern world owing to inadequate production capacity and to sectoral, technological and institutional delays carried over from the past. They also needed to establish a stable legal structure to sustain economic and social reforms. The Community therefore planned to pursue its technical cooperation with its Eastern partners and to promote exchanges of goods and capital, especially in the form of private investments. However, such a transfer of resources could only be fruitful within a context of social stability and economic integration encompassing all of Europe. It was in that spirit that the Community had concluded partnership agreements with the Visegrad countries, designed to improve the latter's access to its markets; those agreements had already helped to strengthen commercial ties with the Community. So-called "first generation" cooperation agreements had also been concluded with Albania, Slovenia and the Baltic countries. Furthermore, the Community was involved in negotiations with Russia and other CIS countries, in particular Ukraine, Belarus and Kazakhstan, with a view to concluding partnership agreements. Those negotiations represented a re-affirmation of the Community's commitment to aiding in the transition to democracy, and to ensuring that CIS countries should be fully integrated into the world economic and political system.

71. Apart from formal instruments (agreements and treaties), the European Community had been implementing large-scale assistance programmes, such as the programme of technical assistance to the CIS, which had been providing substantial support for economic reforms undertaken by the countries of the former Soviet Union. It should be pointed out that since 1991 the Community had provided 68 per cent of total assistance to the former Soviet Union, in the amount of 53 billion ECUs.

72. The Community had established the PHARE programme on behalf of the countries of Central and Eastern Europe, the objective of which was to support the transition process, chiefly in the form of technical assistance. Thenceforth that programme would focus more on support for investments and infrastructure.

73. The countries in transition had experienced considerable internal shocks when they began to introduce reforms. In view of the policy of self-sufficiency among the countries of the former Council for Mutual Economic Assistance (CMEA) such measures had not involved major changes in the world economy. Outside the CMEA those countries had accounted for a small part of world trade and had not played an active role in the financial markets. The reforms had therefore not had much effect on the economic development of developing countries, with the exception of a small number with which they had close ties. For those few the changes that had taken place in the eastern part of Europe had caused huge disruption. Some of them had none the less managed to recover, but others still faced serious problems of adaptation. It was therefore important that the countries in transition should establish new trade links with developing countries.

74. The European Community welcomed the progress accomplished in the reform policies of a growing number of countries in transition and it would actively support all the measures taken to integrate them into the world economy.

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75. Mr. BELHIMEUR (Algeria) recalled that over 10 years had passed since the first stabilization programmes had been launched in the third world. The hopes they had raised had unfortunately not been realized.

76. At the beginning of the 1980s deregulation, trade liberalization and the privatization of public enterprises had been considered a panacea. The role of the State in economic management had been downgraded and there had been a general movement to transfer ownership to the private sector. The Secretary-General in his report on the matter (A/48/380), however, had said that the advocacy of privatization should be sensitively balanced and that the transfer of ownership of enterprises would not in itself guarantee efficiency. He had also said that liberalization unless accompanied by complementary measures could lead to the disappearance of domestic industries.

77. Such a result was clearly not what the developing countries had in mind; they wanted to restore their economic fabric in order to meet the aspirations of their populations. The social dimension of such programmes, including their repercussions on the most vulnerable sections of society, had also been recognized. The Secretary-General's report, meanwhile, had noted that the idea of providing developing countries with additional funds had not met with enthusiasm among donor countries.

78. The success of the adjustment programmes operating in developing countries depended on external factors beyond their control, including the economic situation in the developed countries. The forecasts given in World Economic Survey, 1993 did not inspire optimism in that regard. The world economy would continue to show modest results and there would be little likelihood of international trade absorbing products coming from developing countries; the developed countries, anxious to preserve their own balance, did not seem to be prepared to set aside protectionist measures and the financial markets would continue to be uncertain.

79. However, all peoples shared a common destiny, whether they belonged to developed societies or to developing ones; given that solidarity of interests, there was no alternative to genuine cooperation and constructive dialogue between the industrialized countries and the third world. The former should realize that their prosperity depended on that of their neighbours in the South and should adopt macroeconomic policies which at the very least did not impede the efforts of third world countries to achieve sustainable development.

80. It was clearly expected that developing countries would manage their meagre resources rationally by pursuing consistent growth-oriented policies and that they would profit from the potential offered by South-South cooperation. In that regard the report of the South Commission was extraordinarily useful as a guide to developing countries in their attempts to develop their economic potential jointly on the basis of individual and collective autonomy. The programme of action proposed by the Commission held out some hope because it suggested that the third world could meet the challenges of development by constructing a system of genuine interdependence. In that context he was glad to note that certain things had been established. Developing countries were becoming aware of the need to promote South-South cooperation. Mechanisms of regional and subregional integration had been established in Africa, Asia and Latin America in various fields.

(Mr. Belhimeur, Algeria)

81. The success of the South Commission's programme would, however, depend on an improvement in the world economic situation, to be achieved by eliminating constraints on growth in third world countries and greater solidarity among the international community.

82. Mr. BOTEZ (Romania) said that despite the numerous obstacles that had been encountered the process of transition was still on course and almost all the former socialist countries considered it irreversible. But it could be safely concluded from their experience to date that there was no panacea.

83. Like all the countries of Eastern Europe, Romania was in a state of transition. In 1989 the country's economic situation had been particularly critical. The fall of the communist dictatorship in that year had opened the way to democracy and prosperity. An overall economic reform programme was in progress. The Government, deeming it important to establish a dialogue with the people in order to explain the methods and aims of such measures and to obtain their full support, was attempting to minimize the social costs of transition. Reform and economic transition were not considered to be matters that concerned the Government alone; the whole of society was involved. The authorities could not impose anything by decree, they could only create a favourable climate for entrepreneurs and businesses and, perhaps encourage them.

84. The world economy was generally represented as a dialogue or a game between various partners and agents. Integration into the world economy really meant being drawn into world economic dialogue; every participating economy both asked for and offered to its partners the possibility of engaging in mutually beneficial trade. It was a process of reciprocal adjustment ruled by cost-benefit analysis, which alone could guide economic decisions.

85. Through such an approach it was possible to avoid the two extremes, namely either viewing the world economy as a distinct entity, in which case integration was assumed to require efforts only on the part of the country in transition to integrate itself into that entity or, conversely, viewing the economy in transition as the entity, and expecting the world economy to make room for the newcomer. The first approach involved the risk of neglecting the potential of the country in transition, which was obliged to submit to the demands of the world market, while the second implied that countries in transition expected unconditional aid from the industrialized world. The Romanian Government considered that the right way to integrate an economy in transition into the world economy was somewhere in between.

86. The possibilities for countries in transition to be integrated into the world economy were on the increase and the chances of finding appropriate forms for such integration were also improving. The opening up of markets in the industrialized countries could therefore become an important factor in the progress of countries in transition. In business the cooperation through which economies in transition could be integrated into the world economy was determined solely on the basis of cost-benefit analyses, but such analyses generally dealt solely with monetary aspects and the short term. Viewed thus, the strategies of the industrialized world for integrating economies in transition were generally seen as costly and undertaken reluctantly as new forms of assistance. If, however, they were to add a social dimension and to look at

(Mr. Botez, Romania)

the medium or long term, then the industrial countries might discover that countries in transition were not sick and in need of charity, but real economic partners.

87. By encouraging a broader view of the cost and benefits of economic cooperation the United Nations could help to integrate the countries in transition more effectively into the world economy.

The meeting rose at 1 p.m.

UNITED NATIONS

General Assembly

FORTY-EIGHTH SESSION

Official Records

SECOND COMMITTEE
9th meeting
held on
Wednesday, 13 October 1993
at 3 p.m.
New York

SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. MONGBE (Benin)

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Distr. GENERAL
A/C.2/48/SR.9
1 November 1993

ORIGINAL: ENGLISH

93-81541 (E)

The meeting was called to order at 3.05 p.m.

AGENDA ITEM 91: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued) (A/48/140, A/48/172, A/48/205-S/25923, A/48/209-S/25937, A/48/222, A/48/291-S/26242, A/48/309, A/48/331, A/48/337, A/48/338, A/48/350, A/48/353-S/26372, A/48/379-S/26411 and A/48/380)

(j) INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY (continued) (A/48/317 and A/48/445-S/26501)

AGENDA ITEM 97: INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT (continued) (A/48/182, A/48/338 and A/48/367)

1. Mr. ISAKOV (Russian Federation) said that the effectiveness of the role of the United Nations in facilitating the integration of transition economies into the world economy could be substantially improved through the strengthening of system-wide coordination. It was still unclear which Secretariat unit was primarily responsible for collecting and analysing the relevant information on the transition economies and drafting political recommendations. In that regard, it might be possible to draw on the experience of the special inter-secretariat group to coordinate assistance to the newly independent countries of the former USSR; that group had been established to coordinate the participation of the United Nations system in international conferences on assistance to the countries in transition that had been held in Washington, Lisbon and Tokyo.

2. His delegation had noted with interest the recommendations contained in the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317) on the need for the Organization to place greater emphasis on statistical information systems for market-based decision-making. However, that should not divert attention from the broader problem of systematizing and analysing the problems experienced by "young" market economies in their efforts to become integrated into the trade, monetary and financial and scientific and technical sectors of the world economy.

3. The evolution of the transition economies would determine not only the future of the countries involved but would also have a major impact on overall prospects for world economic development. The Secretary-General should therefore give due consideration to the problems facing those economies in his forthcoming report on an agenda for development.

4. United Nations technical assistance in the creation of a market infrastructure in the countries in transition was of paramount importance. His delegation welcomed the activities in that area of the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the Economic Commission for Europe (ECE), the United Nations Conference on Trade and Development (UNCTAD), the Commission on Transnational Corporations and the United Nations Population Fund (UNFPA). It was also extremely important to strengthen coordination within the United Nations system, with due regard to the Bretton Woods institutions, which were actively involved in providing assistance to the transition economies.

(Mr. Isakov, Russian Federation)

5. In his report on the impact of the recent evolution of the economies in transition on the world economy (A/48/331), the Secretary-General concluded that the full integration of the transition economies into the world economy would benefit all countries involved in world economic relations, including the developing countries. That unambiguous conclusion should allay apprehensions about the "competition" of the countries in transition and their "threat" to the economic interests of the third world. A number of other analyses conducted within the United Nations system had also concluded that such fears were groundless. The Government of the Russian Federation considered that it was necessary not only to restore but also to broaden mutually advantageous economic relations with all interested countries of the third world on a basis that would be consistent with current realities. Once its economy had fully recovered, the Russian Federation would be in a position to resume its assistance to needy countries.

6. The Russian Federation had recently published its programme on progressive reforms and the stabilization of the Russian economy for the years 1993-1995. The programme stressed that the driving force of the Russian market economy should be entrepreneurship, with particular emphasis on small- and medium-sized businesses. The programme also included measures on State support for entrepreneurship, the development of trade and the market infrastructure, and the demonopolization of the Russian economy.

7. Mrs. YANG Yanyi (China) said that over the past two years many developing countries had made renewed efforts to implement their economic stabilization programmes and had experienced modest economic recovery and growth as a result. Some had successfully promoted economic growth through a combination of macro-regulatory controls by the Government and the market mechanism, complementarity between the public and private sectors and a parallel emphasis on domestic and export-oriented economic growth. However, the unfavourable international climate continued to frustrate their efforts. While it was true that developing countries should rely on their own efforts to implement stabilization programmes, generous support from the international community was also essential. She expressed concern at the fact that, at a time when the developing countries were making enormous sacrifices to implement their stabilization programmes, they were being faced with harsh conditions imposed on international cooperation, and noted that any attempt to use assistance as a means of exerting political pressure would harm the interests of developing countries.

8. Since the adoption of General Assembly resolution 46/155, many developing countries had responded actively to the recommendations for enhancing South-South cooperation and had made efforts to implement the strategy of self-reliant and people-centred development by strengthening their cooperation in the areas of finance, commodities, trade, food security, education and science and technology. Heightened awareness of those initiatives had contributed to development and social progress. The practical initiatives launched by the developing countries were changing the general attitude of scepticism towards South-South cooperation. The United Nations system had taken an active role in implementing the recommendations by conducting policy

(Mrs. Yang Yanyi, China)

research, providing technology and expertise and in exchanging information and experience.

9. In the long term, the integration of the economies of Central and Eastern Europe and the former Soviet Union into the world economy would promote economic growth, but in the short term its impact on the economies of the developing countries in particular would be considerable. Policy readjustments and disruptions in traditional trade relationships had repercussions on trade and financial flows among developing countries with close economic ties in the region. By all indications, the process of economic stabilization and resumption of growth would take longer and require greater external resources than had been expected. Despite assurances to the contrary, providing resources to the countries of Central and Eastern Europe and the former Soviet Union did have an impact on assistance to the developing countries. The least developed countries in particular were facing a crisis of survival and deepening marginalization. Assistance to transition economies should not be given at the expense of the developing countries.

10. Mr. CARMICHAEL (Canada) said that, although considerable progress had been made by many countries undergoing transition, formidable challenges still lay ahead. Responsibility for overcoming many of the obstacles on the path to integration lay with the countries in transition themselves. Limited absorptive capacity was a major constraint to increased flows of assistance to those economies. Their Governments should take corrective action to enhance absorptive capacity through the establishment of a single government entity with full responsibility for all coordination activities pertaining to external assistance. Primary responsibility for aid coordination lay with recipient Governments, not donor agencies. Information systems and databases must be established and consultations organized to permit the identification and elaboration of priority development needs. Internal resources must be mobilized to address those needs and supplementary external resources used on a selective basis in accordance with the specific mandates and comparative advantages of the respective donor agencies. The impact of assistance would be enhanced if individual donor agencies concentrated their efforts in a limited number of sectors or programmes. Donor agencies must communicate fully and openly with all relevant national bodies such as the Government, educational institutions, non-governmental organizations, the business and labour sectors and community groups. All internal impediments to the effective functioning of assistance agencies must be removed.

11. Some 27 countries currently had the status of "economies in transition". Some of those countries were undergoing radical transformation; however, others had adopted such a gradual approach that transition was sometimes difficult to discern. It might be preferable to differentiate among them and tailor the response of the United Nations and the international community in accordance with their various patterns of development.

12. Mr. STADTHAGEN (Nicaragua) said that Nicaragua applauded the political and economic transformation taking place in the countries of Eastern Europe and the former Soviet Union even though, as a former "cooperant" of the Council for Mutual Economic Assistance (CMEA), it was among those affected by the changes.

(Mr. Stadthagen, Nicaragua)

Its own economy was currently making the transition from a centralized planned system to a free market within the framework of a democratic and constitutional Government. Some of the countries in transition had become potential recipients of new economic resources. While his delegation supported the transfer of resources to Eastern and Central Europe, it felt that such resources should be additional to, not part of, traditional official development assistance. The large additional demand for financial resources expected from the transition economies could raise interest rates world wide with serious consequences for the developing countries in terms of debt service and the availability of new loans.

13. In addition to profound economic transformation, there had also been major political changes which were reflected in progress towards democratization. That was also true in Nicaragua, which had made the transition from a wartime economy to a democratic Government where the consolidation of peace, national reconciliation and the foundations of a free market economy were cherished goals. The Government had embarked on a programme of privatization, liberalization of trade, foreign investments and domestic markets, domestic price controls and macroeconomic balances. In addition to the stabilization programme, it had undertaken a structural adjustment programme in order to reduce State intervention and promote the private sector.

14. Debt remained one of the major obstacles to Nicaragua's economic and social development. Its debt amounted to more than 45 times its annual export earnings, and 97 per cent of the resource flows it received went to servicing the debt and paying for oil imports, leaving very little over for stimulating economic recovery. Unless a solution could be found, one which included substantial debt forgiveness, the task of economic and social reconstruction might prove impossible.

15. Unfortunately, the success that Nicaragua had achieved in its stabilization and economic adjustment programmes had entailed considerable social costs. New financial resources were urgently needed in order to embark on productive and social projects in an effort to improve standards of living, particularly those of the most vulnerable groups. Accordingly, Nicaragua had prepared a plan covering the period 1993-1995 intended to consolidate the gains of the past two years and to intensify the structural reforms necessary to a competitive economy. The programme emphasized the re-establishment of macroeconomic balances in order to create conditions for sustained growth and a climate favourable to private investment. A stable political and social environment was imperative for the achievement of that goal and was his Government's primary objective.

16. For the near future, economic problems would be the major source of instability in Nicaragua. If external aid was reduced, subjected to many conditions or used for purposes of exerting political pressure, democracy itself would be jeopardized. The social costs of adjustment must be alleviated by adopting stabilization programmes to take into account the particular conditions of each country. The countries in transition and the emerging democracies were undergoing the long and painful transformation from closed and repressive societies towards openness, tolerance, reconciliation and freedom. They were

(Mr. Stadthagen, Nicaragua)

also moving from a planned or highly centralized economy to a market economy. Their efforts deserved the greatest understanding on the part of the international community.

17. Mr. PASZYNSKI (Poland) said that his delegation shared the view that the transition from a centralized command economy towards a market economy had proven more difficult and protracted than expected. Nevertheless, the transformation was irreversible, and the progress achieved thus far should not be underestimated. Some countries which had undertaken vigorous transition programmes were already witnessing the first rewards for their sacrifices, which would also benefit the world economy. Already, the countries in transition, along with developing countries, were the most dynamic factor in the expansion of world import demand. Moreover, the report of the Secretary-General on the impact of the recent evolution of the economies in transition on the world economy (A/48/331) had disproved fears of a substantial shift of resources towards those countries. Research showed that fluctuation in resource flows to developing countries could be attributed to other factors.

18. The transformation process could not be accomplished by the efforts of the nations of Central and Eastern Europe alone, but required a favourable external environment. A higher level of economic activity world wide called for greater multilateral trade liberalization and depended also on the ability or even willingness of individual countries to respond to the changing circumstances of international economic interaction brought about by the phenomenon of transition.

19. Dissemination of information played a major role in the process, and the United Nations system had a comparative advantage in providing and coordinating such assistance to economies in transition. The inadequacies of the statistical services inherited from the Communist past were one factor in the disheartening picture of economic performance being painted in many analyses of the situation, which in turn hindered the integration of those countries into the world economy by deterring potential foreign investors. Assistance was needed, therefore, to improve statistical and information systems. Poland would welcome the establishment of a unit within the Secretariat to coordinate technical assistance activities for the economies in transition.

20. Mr. GOUMENNY (Ukraine) said that, while his delegation agreed with most of the views expressed in the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317), the latter should have contained more substantive recommendations on the broadening of United Nations activities to support transition economies. Moreover, due consideration should be given to the ideas and proposals advanced by members of the Committee at the current session.

21. His delegation commended the efforts of the United Nations to assist in the development of statistical information systems in countries with transition economies. It also welcomed the increased attention that UNDP, UNICEF, the United Nations Environment Programme (UNEP), the International Monetary Fund (IMF), the World Bank and many other bodies and specialized agencies of the United Nations system had given to the interests of the transition economies.

(Mr. Goumenny, Ukraine)

At the same time, the bodies of the United Nations system must coordinate their activities with respect to the transition economies by establishing the requisite mechanism within the Secretariat. In order to develop programme activities in that area, the United Nations should also seek the involvement of international monetary and financing institutions and make use of the opportunities provided by European cooperation institutions.

22. The current session of the General Assembly could seek ways of compensating the many countries with economies in transition that had suffered as a result of their implementation of Security Council sanctions against Yugoslavia. By the end of 1993, Ukraine's direct losses as a result of the sanctions would exceed $4 billion. Those resources could have been used to promote reforms in Ukraine.

23. The scope of United Nations programme activities to assist the transition economies should be broadened. The Organization should use its potential to create favourable conditions that would attract foreign investments in the economies of countries in transition and increase their exports. In a rapidly changing world, trade wars and discriminatory practices in foreign trade must become a thing of the past. His delegation fully shared the Secretary-General's conclusion that "improved access to ... Western Europe's market ... is critical to the success of the transition in the East" (A/48/331, para. 55). His delegation hoped that UNCTAD would take a more active position in that area.

24. In the light of the overall reduction of development financing, some developing countries were concerned that financial flows would be rechannelled from the South to the East. In their view, the broadening of cooperation between East and West could adversely affect West-South cooperation. The Secretary-General's reports (A/48/317 and A/48/331) demonstrated that such fears were groundless. Only an insignificant part of the United Nations annual expenditure of $5 billion for development was being used to assist the economies in transition. Such assistance did not jeopardize the implementation of programmes for the developing world.

25. Mr. LUEDIG (Estonia) said that the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317) made a valuable contribution by acknowledging that integration into the world economy would take place on a country-by-country basis. Indeed, the use of the phrase "economies in transition" had led to a tendency to group those countries into a bloc, even though each one had unique institutions and was at a different stage of economic and social development. The Committee should address, in a proactive way, the changes that must take place in order to integrate transition economies into the world economy in accordance with General Assembly resolution 47/187.

26. The report of the Secretary-General should be used to identify and gauge specific factors that helped or hindered the integration of individual countries into the world economy. For example, barriers to trade with countries with transition economies - often in reaction to the suddenness with which their command economies had been changed - should be examined with a view to encouraging fair trading practices.

(Mr. Luedig, Estonia)

27. The United Nations and the Bretton Woods institutions could provide effective assistance to the sweeping reform processes necessary for the integration of countries with transition economies. At the national level, those countries must elaborate new legislation clearly defining property rights in order to settle competing claims; providing legal recourse for the settlement of trade disputes; and establishing fair labour compensation, workplace laws, and a commercial code that would bolster the private sector and create a favourable investment climate. National macroeconomic controls were also necessary including the regulation of convertible currency; fiscal policies that controlled inflation and stimulated lending; and financial sector regulations for the protection of investors and creditors as an incentive to commercial and merchant banks to develop credit instruments. Better internal information systems would improve reporting on national accounts and the formulation of financial policy. His delegation agreed with the report of the Secretary-General that statistical compilation, a priority for a number of countries, remained vital. Standardized import-export and law enforcement procedures were also required in order to control bureaucratic corruption, transborder black markets and tax evasion. Other national measures to be taken included the establishment of national governmental structures that could effectively coordinate aid and technical assistance, and of effective social safety nets in order to combat poverty and disenfranchisement. In that connection, his delegation was pleased to learn that the World Bank had begun to elaborate assistance programmes to a number of countries with transition economies.

28. His delegation hoped that regional cooperation and regional organizations would foster international trade and not serve as a pretext for protectionism or for excluding individual Eastern European States from the trading system. A successful outcome of the Uruguay Round of multilateral trade negotiations could not only bring about a more equitable international trading system but would also have an impact on the Agenda for Peace, Agenda 21 and an agenda for development. The calm, measured reaction of the world financial markets to recent political events in Moscow proved that the world financial community no longer feared political extremism in that part of the world but rather felt it could do business with countries whose economies were in transition. His delegation supported President Yeltsin in his efforts to create a democratic, stable Russia with which Estonia and the rest of the world could conduct trade.

29. Mr. BRATINKA (Czech Republic) said that his delegation appreciated the attention focused on the problems of countries with economies in transition, both in publications such as the World Economic Survey 1993 and the Economic Survey of Europe in 1992-1993 and in General Assembly resolution 47/187 on integration of the economies in transition into the world economy, resolution 47/171 on privatization in the context of economic restructuring, economic growth and sustainable development and resolution 46/166 on entrepreneurship.

30. During the period 1991-1992, a period of unprecedented change, the Czech Republic had liberalized prices and foreign trade and introduced internal currency convertibility and small-scale and large-scale privatization and restitutions. Economic reform in 1993 was taking place in new circumstances following the division of Czechoslovakia into the Czech Republic and the Slovak Republic, which amounted to the division of one integrated economy into two

(Mr. Bratinka, Czech Republic)

separate ones. In 1993, the Czech Republic had implemented fundamental tax reform. It had also changed the structure of its tax system and the relationship between taxpayers and the State budget.

31. The success of the whole transformation process in his country would depend largely on the creation of natural private property relations and a strong group of small- and medium-sized entrepreneurs. Experience had shown that a strong middle class was the key to a stable, democratic society. The Czech Republic also recognized the importance of entrepreneurship and was taking action to promote it.

32. The Czech Republic could already be described as a pluralistic democracy. Certain economic indexes, including unemployment and inflation rates and the balance in the State budget were favourable, even in comparison with countries in traditional market economy. Slight growth in the gross domestic product was expected in 1993.

33. Liberalization of foreign trade had augmented the Czech Republic's trading partners. In 1992, it had traded with a total of 140 countries, approximately two thirds of which were developing countries. Though Czech companies sought to trade mainly with European partners, they were prepared to develop trade relations with all countries. Fair trading conditions would be vital to that end.

34. Mr. YEGOROV (Belarus) said that the Secretary-General's report on the integration of the economies in transition into the world economy (A/48/317) was the first attempt to provide a systematic description and analysis of the complex economic processes taking place in countries with economies in transition. The report gave an objective account of the progress that had been achieved in certain areas as well as the understandable difficulties resulting from the inertia of former processes and structures and the lack of managerial and entrepreneurial experience.

35. The recent annual meeting of the governing bodies of IMF and the World Bank, as well as other international forums had reaffirmed the importance of integrating the transition economies into the world economy and the need for concerted international efforts to provide assistance. The organizational aspect of such activities within the United Nations system must be substantially improved. The Secretariat and the programmes and funds involved in operational activities and the regional economic commissions could contribute more effectively to the progress of transition economies through analytical work and the provision of technical assistance. In that regard, his delegation attached great importance to the activities of the Economic Commission for Europe, UNCTAD, the Commission on Transnational Corporations, UNICEF and UNFPA which, in their most recent resolutions and decisions, further developed the provisions of General Assembly resolution 47/187. The mandate of many organizations of the United Nations system had thus been strengthened in that area, which made the need for improved coordination both within the United Nations and with the Bretton Woods institutions and other international economic and financial institutions even more urgent.

(Mr. Yegorov, Belarus)

36. His delegation supported the Secretary-General's conclusion, contained in his report on the impact of the recent evolution of the economies in transition in world economy (A/48/331), that in the longer run, the developing countries stood to benefit from the changes in the economies in transition. Thus, fears that the processes taking place in countries with economies in transition would have an exclusively negative effect on other groups of countries were groundless. The time had come to conduct a systematic and objective study of the nature and consequences of the transition of a large group of countries to a market economy. It would then be possible, on the basis of such a study, to elaborate a theory of that global process and to suggest practical measures that those countries and the international community could take to ensure their effective integration into the world economy. He hoped that that aspect of the problem would be adequately reflected in the Secretary-General's forthcoming report on an agenda for development.

37. Mr. MOLDAW (United States of America) said that expansion of economic opportunity was the key to the integration of economies in transition into the world economy. Realization of individual potential was the key to development and to building an open world economy. As United States President Clinton had said in his address to the plenary session of the General Assembly, development should put people first. The integration of the transition economies into the world economy went hand in hand with their decision to become free, independent societies. The international community of market-based democracies must be enlarged and strengthened. His delegation welcomed the many United Nations activities in such areas as analysis, technical assistance and comparisons of country experiences designed to assist economies in transition in integrating into the global economy. It looked forward to enhanced coordination of the activities of the United Nations system for improving such integration, within the context of the reform of the Secretariat initiated by the Secretary-General.

38. Mr. MARGITTAI (Hungary) referring in turn to the four policy priorities - stabilization, liberalization, privatization and institution-building - mentioned in the report of the Secretary-General on integration of the economies in transition into the world economy (A/48/317, para. 16), said that the fall in the output of the countries in transition would have severe repercussions. The decline in domestic demand posed problems for both the public and private sectors for it meant that, in the private sector, there would not be sufficient capital to finance new businesses or sufficient customers to make those ventures viable. The public sector would have to finance higher unemployment from the State budget and therefore postpone structural reforms such as liberalization. As the representative of Belgium had stated on behalf of the European Community at the previous meeting, stabilization policy in Eastern Europe hinged on replacing that unbalanced decline by balanced growth.

39. The impact of external assistance, while of the utmost importance, was unclear. According to the Economic Survey of Europe in 1992-1993, capital inflows into countries with economies in transition were more than offset by debt-servicing and other payments and had actually resulted in a net outflow of resources from most of the Eastern European countries in 1992. Similarly, the large-scale technical assistance programme conducted by the European Community had been criticized for poor coordination and its benefit to the recipient

(Mr. Margittai, Hungary)

countries had been questioned. As for private foreign capital inflows, the US$ 5.5 billion received by Hungary - which was higher than the investment in most countries - was still much lower than the inflows into certain smaller Western European countries.

40. A recent evaluation of Hungary's privatization policy had shown that selling bankrupt State-owned companies was better than liquidating them because jobs were saved, and that selling enterprises below their real value was better than closing them down. Private-sector income currently accounted for almost half of Hungary's gross domestic product.

41. Although the role of the State in the economy and Government had been radically reduced in the transformation process, the State must remain active in institution-building, especially in such fields as industrial development, agriculture and technology; trade policies, for example, the establishment of an institutional framework for integration in the international economy; and employment policies, education and research. The State also had a key role to play in the establishment of the social institutions that would provide a safety net during the transition. Experience in the newly industrialized countries had shown that moderation was the best policy in time of transition. The United Nations system could help to promote institution-building.

42. Liberalization was such an important issue that it warranted more thorough analysis, including in-depth reports in various related fields. Hungary's successful domestic liberalization policy had resulted in the virtual deregulation of prices and wages, liberalization of imports and foreign investment and a currency that was practically convertible. Its successful trade policy reflected a balance between the need to liberalize trade rapidly and the need to exercise caution during a phase of structural adjustment, low competitiveness and economic uncertainty. The success of liberalization also depended on what was happening in the larger economic context. That meant that the European Community should enlarge its cold-war vision of what constituted a united Europe.

43. Ms. ARYSTANBEKOVA (Kazakhstan) said that her delegation had been impressed with the thoroughness of the Secretary-General's report on the integration of the economies in transition into the world economy (A/48/317). On the whole, the Secretary-General had correctly assessed the major difficulties encountered by all countries that had faced foreseen and unforeseen problems arising from their transition to a market economy. The situation had been aggravated by a sharp economic decline resulting from the rupture of traditional economic ties among the countries of the former USSR, a lack of the necessary managerial experience at the national level, and social and political instability in many parts of the region.

44. The Government of Kazakhstan, which was in the same critical situation as practically all the other republics of the former Soviet Union, had conducted an analysis of the errors and miscalculations that it had made during the first stage of its economic reforms and had prepared a programme for urgent anti-crisis measures and the intensification of social and economic reforms. The implementation of the programme had already had a number of positive

(Ms. Arystanbekova, Kazakhstan)

results. There had been progress in removing macroeconomic imbalances and reducing the budget deficit by improving fiscal policy and the monetary and accounting system and cutting back State expenditure. Systematic measures were being taken to liberalize prices, reduce the extent of direct State regulation of the economy and to create the legislative and organizational infrastructure for social and economic reforms. A programme of gradual privatization had begun.

45. In spite of a certain degree of success, the situation remained critical. It was essential for Kazakhstan to halt its economic decline and high inflation rates and to find a solution to its monetary and financial crisis. In that regard, Kazakhstan attached great importance to the results of the summit meeting of the members of the Commonwealth of Independent States, held on 24 September, at which the Treaty on Economic Union had been signed. Kazakhstan had consistently supported regional integration, which it considered to be an indispensable element of the process of integration into the world economy.

46. In his report (A/48/317), the Secretary-General devoted a great deal of attention to the participation of organizations of the United Nations system in international efforts to assist market reforms in the countries of Eastern Europe and the former Soviet Union. An analysis of the activities of the organizations of the United Nations system in that area demonstrated that various international forums were beginning to understand the need to provide effective assistance to countries with economies in transition. In spite of the uneven progress that the various organizations had achieved in that area, her delegation was encouraged by their interest and determination to intensify their activities in that area.

47. Improved coordination of international efforts to assist economies in transition would help ensure the success of those activities. Her delegation regretted that the efforts of a number of organizations of the United Nations system to assist the economies in transition and facilitate their integration into the world economy had been hampered by a lack of financial resources.

48. Mr. THAKUR (India) said that his delegation supported the general principles outlined in the statement made by the representative of Colombia on behalf of the Group of 77. The report of the Secretary-General on the economic stabilization programmes in developing countries (A/48/380) highlighted the fact that policy reform and adjustment programmes had been launched in the context of a harsh external economic environment. At times, the social cost of adjustment programmes had even affected popular opinion about the reform process itself. In India, a National Renewal Fund had been established with support from multilateral funding agencies to mitigate the social cost of the transition. In particular, it sought to protect the most vulnerable strata of society.

49. The report of the Secretary-General also noted that even as market forces were given freer rein, the State continued to play an important stabilizing and promotional role. In India, the State actively sought to build infrastructure and intensify anti-poverty programmes during the liberalization phase. For every dollar invested through foreign direct investment, matching State resources were provided to ease the shock of the transition process.

(Mr. Thakur, India)

50. The report of the Secretary-General on sources of financing for development (A/48/367) noted that private medium- and long-term finance was abundant at the aggregate level only, but restricted at the national and regional levels (para. 18). The terms on which such financing was available increased the cost of restructuring and made countries more vulnerable to external contingencies. In addition, export credits, multilateral official development assistance and financing from the International Development Association (IDA) had stagnated in real terms. All of that was taking place at a time of enhanced demand for external resources, as the developing countries engaged in restructuring and new applicants for financing emerged. The deliberations of the eighth session of the United Nations Conference on Trade and Development and the United Nations Conference on Environment and Development had also highlighted the need for additional resources.

51. The developed countries had an obligation to sustain the reform process by increasing concessional official flows and affording greater access to markets and technology. The capital available to multilateral financial institutions must be increased in view of the international community's latest commitments under Agenda 21. Direct private financial flows and investment must be made more widely available to countries, regions and sectors and should be suitably balanced with official assistance. Lastly, the increased vulnerability of developing countries to external variables made it even more imperative for them to have a say in international macroeconomic policy coordination.

52. Mr. BAHADIAN (Brazil) said that the conclusion, in the report of the Secretary-General on economic stabilization programmes in developing countries (A/48/380), that adjustment programmes in many countries had not yet yielded any positive results, came as no surprise, since such programmes invariably involved increased, though unbalanced, integration of developing country economies into the world economy, and thus made them more dependent on the international economic environment. That greater vulnerability was all the more worrisome at a time when international financial flows, often of a short-term and speculative nature, were at a level estimated to be 30 times that of the value of trade in goods and services.

53. Fortunately, there seemed to be a growing awareness of the need to respect the particularities of each country and to incorporate the social dimension in the elaboration of such programmes. His delegation hoped that the Secretary-General, in his report on an agenda for development, would address the need for a more detailed analysis of the consequences of the increased vulnerability of developing countries to imbalances in the external economic environment, bearing in mind that those countries must have an effective voice in the decision-making process on global economic issues.

54. Mr. SERSALE DI SERISANO (Argentina) said that the United Nations should strive to develop as many sources of international financing for development as possible and that the proposed international conference on the financing of development was only one such avenue. Official development assistance had stagnated during the past 15 years, despite all the commitments made to increase it, and new areas for development finance had emerged.

(Mr. Sersale Di Serisano, Argentina)

55. Through structural adjustments to their economies, including stabilization programmes, the developing countries were increasing domestic savings. Where investment opportunities were attractive, private financing was forthcoming.

56. The funds released by the decrease in arms expenditures were a major potential source of development financing. While it was true that such funds were being used for productive investments within countries which manufactured weapons, it was by no means certain that there had been a concomitant increase in international assistance. The vast sums spent by certain countries on agricultural subsidies were a second potential major source of development financing. Such subsidies were irrational expenditures that showed no respect for the concept of comparative advantage and distorted international trading practices.

57. Future United Nations documents on development financing should include those two sources of financing and should link them with figures for official development assistance. An increase in such assistance attracted private sector investment where political indications were positive. The analysis of the issue in the current document was sound, but could have been developed further. As to institutional arrangements for development financing, the multilateral financial institutions had a mandate to act, and there should be a clear division of labour among them regarding the steps which should be taken to translate reduced public expenditure in certain countries into assistance to the developing countries.

58. Mr. SWETJA (Indonesia) said that, as noted in the report of the Secretary-General on sources of financing for development (A/48/367), the net transfer of financial resources to the developing countries had turned positive (para. 15). However, the situation remained tenuous, as inflows were largely short term and volatile (para. 16). The failure of the international financial system to provide stable financial flows for development was due in part to the decline in official development assistance and the increased conditionality attached to development financing. That made consideration of the issue by the Second Committee more relevant than ever.

59. Just as the report of the Secretary-General defined development as enlargement of the human capacities (para. 1), the definition of development finance had also been broadened to encompass various sources, including investment finance, technical assistance and domestic and foreign resources for current expenditures on human resources for development. The problem was that the developed countries were still mired in recession and the developing countries, in stagnation brought on largely by an adverse external environment. Whether that stagnation took the form of excessive debt overhang or deteriorating terms of trade, it was a threat to the social stability of the developing countries.

60. The major economic powers should address the need to stimulate the global economy through greater participation, coordination and transparency than was provided by the current mechanism of the Group of 7. International financial cooperation for development would be strengthened if the developed countries met their ODA targets and improved the quality of assistance; if medium-term and the

(Mr. Swetja, Indonesia)

long-term private financing were made available on less prohibitive terms; and if concessional official flows were provided to many developing countries, especially those with a low debt-servicing capacity.

61. His delegation believed that the revitalization of international trade and investment would ensure the financing of development. Indonesia, like many developing countries, had unilaterally removed many trade barriers and deregulated its economy to a large extent in order to attract foreign investment and stimulate trade. Regrettably, its initiatives had been reciprocated by new conditionalities. In that connection, if the Uruguay Round were successfully concluded, the world economy would be bolstered by increased trade and investment. The international community must also increase technical and financial assistance to developing countries seeking to build their capacities to attract and use international private investment. In conclusion, the convening of an international conference on the financing of development was of paramount importance in view of the need to increase the level of development finance, address the debt burden of developing countries and approach development financing in an integrated, comprehensive manner.

62. Mr. REPISHTI (Albania) said that owing to his country's long history of total isolation, over-centralization and a complete absence of private initiative, its transition from totalitarianism to democracy and a market economy was a very painful and difficult process, despite the significant reforms that had been introduced. To facilitate its integration into the world economy, the Government was focusing on stabilization, liberalization, privatization and institution-building. Efforts to lay the groundwork for a market economy already had resulted in a decrease in inflation from 15 per cent per month in early 1992 to less than 0.9 per cent in 1993.

63. The privatization of land was nearly completed and the increase in agricultural output in 1993 testified to the value of the measures already taken and underscored the need for further such measures. The nearly completed privatization of services, transport, small-scale production and trade had freed the State budget from an unnecessary burden and had registered positive results. His country had received valuable assistance in accelerating the privatization process, in particular, from the World Bank, the European Community and the Group of 24.

64. His Government also was grappling with the challenge of restructuring the industrial sector, which had been plagued by obsolete technology, an overemphasis on heavy industry and incompetent management. The termination of many industrial projects had caused a sharp increase in unemployment which, although on the decline with the growth of small- and medium-scale industries, still was at 30 per cent of the workforce, the highest level in Europe.

65. His country would continue to adopt the necessary legislation to facilitate the integration of its economy into the world economy. The country's favourable climate, unpolluted environment, low labour costs and natural resources were major attractions to foreign investors. The Government also wished fully to develop the tourism industry. Technical assistance in the field of information, including the development of statistics, was needed.

(Mr. Repishti, Albania)

66. His country worked closely with the World Bank, IMF, UNDP and other United Nations agencies, particularly in activities relating to micro- and macroeconomic policy, to foster sustainable growth, develop the human resources needed to manage and consolidate the new political regime and technical assistance to promote the transition to a market economy. His delegation renewed its appeal to the international community for adequate support to compensate it for the economic losses resulting from the strict implementation of the embargo imposed by the Security Council against the Federal Republic of Yugoslavia (Serbia and Montenegro).

67. In conclusion, he underscored his country's firm commitment to consolidating its collaboration with United Nations agencies and the European Community in order to accelerate the integration of its economy into the world economy.

68. Mr. MALLYA (United Republic of Tanzania) said that document A/48/350 provided a comprehensive overview of South-South cooperation that was an improvement over the fragmented approach taken in previous reports on the subject. His delegation hoped that such reports would be issued periodically in order to facilitate such cooperation and pave the way for more elaborate publications on issues such as exchange rates, price indices, transportation costs and markets.

69. His delegation welcomed the fact that the South Centre soon would be a permanent body and congratulated Mr. Gamani Corea, the former Secretary-General of the United Nations Conference on Trade and Development, on being designated an honourary coordinator of research and substantive activities of the Centre. It also was gratifying to note that the South Centre had been able to make maximum use of modern communications facilities, for example, by professionals on several continents to work together to prepare a report for the benefit of the South.

70. It was his delegation's understanding that the countries of the South would have no financial obligations regarding the operation of the Centre, which would be financed by a capital fund. The United Nations should continue to offer its services to the Centre.

71. Mr. WOON (Malaysia) said that the report on economic stabilization programmes in developing countries (A/48/380) showed that the serious social repercussions in countries where such programmes had failed were a cause for concern which the international multilateral institutions must address. The crucial question was how best to generate sustainable growth in a changing international economic environment. External factors that adversely affected vulnerable developing economies must be counter-balanced by positive factors that created a momentum for growth.

72. The current doctrinaire prescriptions of the Bretton Woods institutions for adjustment and stabilization programmes had many serious limitations. More often than not they were viewed as stop-gap measures rather than as a comprehensive approach. The recent World Bank study on the East Asian experience attributed growth in the region to the superior accumulation of

(Mr. Woon, Malaysia)

physical and human capital and the ability to allocate those resources to highly productive investments and to acquire and master technology. However, the fundamental issue was how that capital accumulation was fostered. Many developing countries had been unable to attract the essential sustained investments that were needed; moreover, they were heavily burdened by debt. The debt burden in turn required huge servicing payments which limited their capacity to buy the capital goods so necessary for building long-term productive capacity. It was essential to recognize that the economies of the developing countries were vulnerable and that the market approach was inadequate. Furthermore, countries must have the institutional capacity for prudent macroeconomic management and the ability to maintain price stability to encourage savings and investment. That could be achieved if productive sectors generated net positive returns, which was not the case for most commodity-dependent developing countries where production costs were higher than revenue.

73. The importance of the international economic environment to the success of the developing countries could not be overemphasized, particularly in view of the political instability which often resulted as the developing countries endeavoured to respond in that environment. The relevant conclusion of the Secretary-General's report (A/48/380) thus was a cause for serious concern. Referring to paragraph 52 of the document, he said that the concept of partnership and integration should be the focus of the global agenda for development, and that the tendency towards inward-looking preoccupation must be reversed.

74. Turning to the report on developments pertaining to the implementation of the recommendations of the report of the South Commission with special emphasis on South-South economic cooperation (A/48/350), he welcomed the relative progress achieved thus far. South-South cooperation should receive priority attention and might require additional support from the international community, particularly with respect to expertise and additional resources in financing and technology. At a time when resources were limited, economic cooperation among the developing countries should offer the best option for promoting growth and development in those countries.

75. The experience of the countries members of the Association of South-East Asian Nations in jointly promoting cooperation in trade, science and technology, industrial development, agriculture and education, testified to the value of regional cooperation as a successful approach to South-South cooperation, and as a factor in enhancing global economic growth. Here, again, a favourable international economic environment was essential.

The meeting rose at 6.10 p.m.

UNITED NATIONS

General Assembly

FORTY-EIGHTH SESSION

Official Records

SECOND COMMITTEE
10th meeting
held on
Thursday, 14 October 1993
at 10 a.m.
New York

SUMMARY RECORD OF THE 10th MEETING

Chairman:	Mr. MONGBE	(Benin)
later:	Mr. Arellano RESENDIZ (Vice-Chairman)	(Mexico)
later:	Mr. MONGBE (Chairman)	(Benin)

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Distr. GENERAL
A/C.2/48/SR.10
15 November 1993
ENGLISH
ORIGINAL: FRENCH

93-81571 (E)

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 92: EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/48/182, A/48/291-S/26242, A/48/338, A/48/345, A/48/353-S/26372)

1. Mr. OSSA (Department of Economic and Social Information and Policy Analysis) said that, despite the great strides made in the international treatment of the external debt of the developing countries, there was still a debt crisis in many countries. The policies that addressed the debt crisis raised highly technical questions; they were generally implemented with the assistance of multilateral institutions such as the International Monetary Fund, the World Bank and the Paris Club, but the General Assembly had wanted Member States to be able to participate actively in the debate and developmental issues and the political dimensions of the debt crisis to be explicitly taken into account.

2. The crisis was but one manifestation of a broader crisis in economic adjustment and development that had begun more than a decade earlier following profound changes in the international economic environment. More than anything else, it was the deterioration in the terms of trade that had precipitated the debt crisis in many countries in the early 1980s. The lessons of reform had been learned during the 1980s and early 1990s, and had led to a better understanding of the social and political strains of adjustment, particularly after long periods of economic distress. The need for social safety nets had come to be widely recognized, particularly in General Assembly resolution 47/198 on the international debt crisis.

3. For developing countries, as well as for the former centrally planned economies that had experienced severe economic shocks, the new policies would be successful only in a more supportive international economic environment. The industrial countries must open up their markets and external financing must be geared to each reforming country's level of development.

4. Various agreements had been concluded with international commercial banks in order to reduce the debt stock and debt service; that had alleviated the debt problems of a growing number of countries which had regained access to international capital markets. The terms were still relatively costly, but could be eased for borrowers with good "track records". Several low-income countries had settled their difficulties in servicing their commercial bank debt, generally by buying back their debt at a discount with concessional international resources, but many of them still had difficulty in servicing their debt and would remain dependent, in the medium term, on non-debt-creating capital flows. On the whole, however, that method worked fairly well.

5. The debt problem of the poorest developing countries was, however, far from being resolved. Despite debt reduction agreements, in sub-Saharan Africa the total external debt was still approximately 3.5 times higher than the yearly exports, and in Latin America it was 2.5 times higher. Those ratios were far too high. The African countries, whose commercial bank debt was small, owed large amounts to Governments or multilateral institutions and the realistic prospects of their repaying their debt were considered slim. Indeed, in order

(Mr. Ossa)

to honour their obligations, those countries would have to reduce public services drastically, and that would be politically and socially intolerable. Increased debt payments would also have the effect of paralysing productive investment, which would, in turn, compromise future capacity to pay. Several creditor Governments had accepted that analysis and cancelled some government obligations, particularly the repayment of official development assistance (ODA) accorded to the least developed low-income countries.

6. The Paris Club had also accepted the principle of debt and debt-service reduction for low-income countries, although that reduction was still insufficient. Creditor Governments had, moreover, virtually agreed to a two-thirds write-off of the debt for low-income countries, as proposed by the United Kingdom Government several years earlier (known as the "Trinidad terms"). At the present juncture, a consensus on improving the Paris Club terms was expanding, but it still remained elusive. The General Assembly should therefore provide the required political impetus in that regard.

7. Even if the Trinidad terms were adopted, however, the debt-servicing burden would still be too heavy for many countries (according to the World Bank, 40 per cent of a sample of 33 low-income countries). In some cases, official development assistance might have to be written off completely, but even that would not always be sufficient, and moreover, middle-income countries were not eligible to benefit from the Trinidad terms.

8. One outstanding problem involved debts to international financial institutions, which were "preferred creditors". The international community had devised only very limited means of adjusting debt-servicing payments to those institutions. There were no provisions for the rescheduling or reduction of such debts, although, at times, a bilateral donor offered to repay the arrears.

9. From the outset, it had been apparent that the solution to the debt crisis called for concerted action by debtor and creditor Governments, private banks and international organizations. In some developing countries, the debt crisis had been settled, but in other countries it was still a very large and difficult part of daily experience. In those countries, there was no prospect of there being sufficient growth for them to discharge their obligations. Additional debt relief was therefore necessary and, to that end, a new political impetus was required.

10. Mr. BARRERO (Colombia), speaking on behalf of the Group of 77 and the People's Republic of China, said that the most recent indicators showed relative abatement of the external debt problem. The situation seemed to be less desperate than it had been in previous years. In several countries, the evolution had been favourable even though the social and political costs of progress had been high. The poorest group of countries, on the other hand, was still a long way from resolving the problem and the international community had not done all it should have to help them. The situation was particularly acute in the sub-Saharan African countries, whose debt stock was equivalent to more than three years of exports. That clearly showed the ineffectiveness of the measures adopted. In heavily indebted countries, the need to allocate a substantial portion of their national budgets to external debt servicing

(Mr. Barrero, Colombia)

paralysed development efforts, depriving vast sectors of the population of an enormous volume of resources which might have been used to satisfy basic needs. In other words, the debt problem should be viewed in terms of its political and social dimensions, and the political solution to the problem would require the collaboration of debtor and creditor countries, multilateral institutions and commercial banks. The debt stock and debt servicing of developing countries must be substantially reduced and the solution adopted must be equitable, durable, comprehensive and development- and growth-oriented. It should, moreover, be applicable to all types of debt and debtor countries.

11. Additional measures were required. Debt reduction should cover a greater proportion of the debt, in certain cases the total debt. Eligibility criteria should be less rigid so that a larger number of countries could benefit. The schedule of completion should be more flexible in order to bring about a rapid resolution of the problem in the most affected countries. Innovative measures, including debt-for-equity swaps, debt swaps for the protection of the environment and debt-for-development swaps, should be considered.

12. A permanent solution to the debt problem, however, required an environment favourable to the growth of developing countries. To that end, the industrialized countries must liberalize trade, significantly increase the transfer of productive capital and adopt policies aimed at the growth of the international economy. At the same time, in order for such efforts not to be wasted by social and political instability, social programmes were necessary to protect vulnerable groups from the impact of the economic reforms implemented in debtor countries.

13. The Group of 77 wished to underline the importance of the continuous and active involvement of the United Nations system through its ongoing review of the situation of the external debt of developing countries.

14. Mr. VAN DE CRAEN (Belgium), speaking on behalf of the European Community and its member States, said that the external debt crisis - or rather, the complex of problems associated with external debt, since the international financial system was no longer in danger - called for diverse approaches. Several countries, particularly in Latin America, had considerably reduced their debt problem through internal adjustment efforts. As a result of recent improvements in the situation, the international debt strategy, in particular the practices of the Paris Club, had made it possible to consider more closely the problems of the poorest and most indebted countries. However, those countries, especially the countries of sub-Saharan Africa, had not yet been able to overcome their difficulties.

15. The total amount of external debt was once again increasing after reaching its peak at the end of the 1980s and the beginning of the 1990s, but debt servicing would remain manageable if the increase could be offset by solid economic growth, as in Asia or, if solvency was maintained on the international financial markets, as in Latin America - an impossible task for many developing countries, particularly the poorest among them.

(Mr. van de Craen, Belgium)

16. Commercial debt was no longer a threat to banks and, thanks to a broad range of debt-relief measures within the framework of the London Club, the majority of the large debtor countries had recovered and once again had prospects of obtaining credit. Moreover, some large Latin American countries had improved their macroeconomic policies and thus their financial stability. Further progress needed to be made, however, if the countries of Central and Eastern Europe were to obtain from the London Club treatment comparable to that which they had obtained from the Paris Club.

17. The industrialized countries, including those of the European Community, had made additional efforts. Some had agreed to bilateral debt cancellations, for example, with the countries of sub-Saharan Africa. The problem of official debt, however, differed from that of private debt; as far as the latter was concerned, the suspension of export credits had undoubtedly had a negative effect on the allocation of new credits. In addition, it was important to take into account the real political difficulties which the creditor countries were experiencing with regard to the budgetary impact of official debt-relief measures for the debtor countries.

18. Multilateral debt was growing in volume and debt servicing was posing more and more problems for IMF, the World Bank and the regional development banks. The international financial institutions were obligated by their charters to follow very strict policies, which made them preferential creditors. The solutions they had found to the problem of arrears often entailed formulating adjustment and economic recovery programmes that, if successful, could provide access to new lending.

19. Debt servicing remained a heavy burden for developing countries and continued to absorb on average one fifth of their budgets, even though many were paying only a small fraction of the interest due and repaying almost nothing of the principal. Sometimes borrowed capital did not contribute sufficiently to economic growth, as was frequently the case in the least developed countries. The European Community and its member States were well aware of the difficulty of the task. They believed that recovery and adjustment programmes should be applied more consistently and more strictly, as the Group of Seven major industrialized countries had reaffirmed at Tokyo. The search must continue within the Paris Club for opportunities to improve debt-relief modalities for the poorest and most indebted countries, on a case-by-case basis, inter alia, through earlier and more generous initiatives.

20. Some non-governmental organizations were requesting complete cancellation of all official debt, but the multilateral organizations, which were more realistic, believed that such decisions should be taken in the appropriate forums - the Paris Club, the World Bank and IMF. Even the most generous formulas, such as the so-called Trinidad and Tobago terms, could never provide a solution for the most indebted economies unless they were accompanied by reforms.

21. The European Community and its member States wished to emphasize that the international debt strategy had produced positive results for a number of countries and they reaffirmed their intention to continue to work towards

(Mr. van de Craen, Belgium)

solutions that were even more concessional and, above all, more lasting. There seemed to be no need to initiate a new round of negotiations to arrive at another resolution which would not really contribute anything new to the debate.

22. Ms. YANG Yanyi (China) noted that the total debt of developing countries had reached US$ 1,400 billion by 1992, and that the foreign debts of African countries accounted for US$ 290 billion of that figure. The debt problem was particularly serious for the countries of the sub-Saharan region, although it had not yet been completely solved even for middle-income countries. The Governments of creditor countries, the international financial institutions and the commercial banks had taken a variety of measures to help the debtor developing countries to overcome the crisis, but the results were far from satisfactory. Few countries were in fact able to benefit from the enhanced Toronto terms, and even the Trinidad and Tobago terms were not sufficient to solve the problems of many debtor countries. The debt burden continued to undermine development efforts and remained a major obstacle to the economic recovery and growth of developing countries.

23. The debt problem was not just a problem of the debtor countries; it was also a global problem that had bearing on the sustained, steady and healthy development of the world economy as a whole. China therefore recommended a strategy based on efforts to achieve economic growth and development of the debtor countries, since to attempt to solve the debt problem at the expense of development would be to treat the symptoms rather than the cause of the disease. That was not in the interests of either the debtor countries or the creditor countries.

24. The debtor countries should carry out economic adjustment and restructuring programmes in the light of their specific national conditions, and those programmes should be geared to growth and sustainable development. Strong international support should be provided to debtor countries and a favourable international climate should be created. Official development assistance should be increased to a level of 0.7 per cent of the GNP of the rich countries. The multilateral free-trade system should be strengthened and the conditions of access to markets should be improved so that trade rather than aid would become the major source of capital for debtor countries. The debt strategy should include, among other things, a drastic reduction of debt and debt-servicing. As official development assistance (ODA) debt was the main component of the foreign debt burden of heavily indebted low-income and lower middle-income countries, the Trinidad and Tobago terms should be adopted and expanded to cover all the countries in those two groups. The relationship between debt relief and the provision of funds should be appropriate, since debt relief could in no way replace new allocations of funds. The international financial institutions, in particular the World Bank and IMF, should also reduce the debt burden of the debtor countries and help them to revitalize their economies. In fact, the debt owed to the multilateral financial institutions represented a growing share of the ODA debt of low-income and lower middle-income countries. It was to be hoped that the problem could be resolved promptly and in a flexible manner. All parties concerned with the debt problem should work together to formulate new debt strategies with a view to overcoming the debt crisis in a comprehensive, effective and durable manner. The United Nations could not shirk its

(Ms. Yang Yanyi, China)

responsibility to assist in the search for a solution to the debt problem. The discussion in the Second Committee and the resolution to be adopted on that question should reflect the importance which the international community attached to the debt problem.

25. Mr. OLISEMEKA (Nigeria) said that the world was currently moving at two different speeds and that that threatened to tear apart the new world order.

26. Ten years had elapsed since the debt crisis had arisen and some valuable lessons had been learned with regard to the definition of the crisis, its nature and magnitude, and the various remedies that had been proposed and adopted. The little progress that had been made on the debt question had only served to arrest serious damage to the international financial system. Sustainable micro-economic policies had been adopted in certain debtor countries, while others had had structural adjustment programmes imposed upon them.

27. In that context, the United Nations remained the only institution in which the serious problems of developing countries could be addressed and disparities between rich and poor countries could be reduced. The Organization had contributed to the adoption of debt-relief measures. In that regard, his delegation endorsed the report of the Secretary-General (A/48/345) and recommendations contained therein.

28. The economies of developing countries continued to suffer from the effects of the debt burden, which were exacerbated further by the adjustment process, the flow of financial resources from developing to developed countries, the decline in official development assistance, deteriorating terms of trade, the fall in commodity prices as well as protectionist policies.

29. Africa's debt, which amounted to US$ 282 billion or 350 per cent of the region's aggregate export revenues, was virtually equal to its entire annual economic output. The $25 billion that Africa had devoted to debt servicing in 1990 was greater than the total aid received by African countries in the previous year. Initiatives had been taken towards alleviating the debt burden; specifically, the group of seven most industrialized countries had written off or reduced certain categories of Africa's debt. In 1990, such debt cancellations had totalled $7.6 billion. However, it was generally recognized that conventional debt management initiatives, even the more generous enhanced Toronto terms and Trinidad terms, did not reduce the burden on African countries enough for them to resume growth along a macroeconomically stable path.

30. Any solution of the debt crisis should not only cover all types of debt and debtor developing countries but should also give special consideration to those countries which continued to meet their debt obligations on time. The international trading system must be strengthened and liberalized and countries must demonstrate political will. A comprehensive and integrated approach needed to be taken to the crisis and concerted action was required with respect to all categories of external debt: bilateral, multilateral and commercial. However, priority attention should be given to bilateral debt in view of its predominance in Africa's external obligations.

(Mr. Olisemeka, Nigeria)

31. The Paris Club had undertaken significant measures in that area. However, the debt reduction mechanisms, eligibility criteria and the time-frame for implementation could be improved. The Trinidad terms should be considered only as a benchmark, and further reductions should be envisaged.

32. In Africa, multilateral debt accounted for more than 25 per cent of total external debt and over 40 per cent of total debt-service payments. In some low-income countries that percentage was up to 50 per cent. That problem could be solved by replenishing International Development Association and African Development Fund resources. A distinction should be made between arrears resulting from a liquidity crisis and those caused by a solvency crisis.

33. Commercial bank arrears, which accounted for only 15 per cent of the external debt of sub-Saharan Africa, caused considerable problems since they had an adverse effect on trade financing. One solution could be to adopt regulatory and tax measures and to put pressure on Governments to induce banks to agree to debt reduction.

34. A durable solution must include strengthening and liberalization of the international trading system which was the most important source of real growth and development. The political will required to do that must be in direct proportion to the challenge.

35. Mr. AVANESOV (Russian Federation) said that the international community was perfectly justified in focusing increasing attention on solving the external debt problem; that would require a complex strategy involving various multilateral funding agencies - the Paris Club, the London Club, the International Monetary Fund and the World Bank. In that context, the United Nations could also play a useful role by putting forward general recommendations and studying the experience of the international community in order to promote the search for agreed solutions particularly by highlighting the approaches that had proved most successful.

36. The report of the Secretary-General on the international debt strategy as of mid-1993 (A/48/345) complemented the documents of the World Bank and IMF on the issue and contained many pertinent comments especially on the international debt strategy and debt indicators. While the overall situation was becoming more encouraging, there were still substantial differences between regions and countries; in Russia, for example, the external debt was considerably hampering market reforms. Although the signing of agreements on the restructuring of both official and commercial debt had brought much-needed relief to his country, the stock of debt was still rising. His Government was working with the multilateral financial institutions to find a solution to the problem because solving the debt problem of Russia and the other countries in transition would not only contribute substantially to the economic and financial recovery of those countries but would also help to stabilize the world economic situation.

37. The debtor countries, lending countries and Bretton Woods institutions should work together in order to solve the debt problem. He pointed out in that regard, that it was the responsibility of debtors to repay their loans and that Russia was settling its debt problems in cooperation with its creditors according to its means and established international practice.

38. Mr. BABA (Uganda) said that the many initiatives that had been taken to address the debt problem had failed, especially in Africa where over $10 billion a year were spent on debt-servicing payments. In order to develop, the poorest and low-income countries, especially those of sub-Saharan Africa needed the support of the international community in the form of a reduction and elimination of the debt burden. The terms agreed to by the Paris Club had served to provide temporary relief but had not definitively resolved the crisis; that would call for a significant write-off of the debts along the lines of the Trinidad terms.

39. Another strategy would be to renew the purchasing power of the poorest and low-income countries, for that would be in the interests of both creditor and debtor countries. In that context, measures could also be taken with respect to all categories of external debt. Multilateral debt, which accounted for almost 25 per cent of total external debt and 40 per cent of total debt-service payments of the sub-Saharan African countries, should also be rescheduled.

40. The debt crisis continued to be the main obstacle to Africa's economic recovery and it discouraged foreign direct investment in the region. A modest amount of debt relief had been granted to some countries of the region. However, in order to prevent the situation from worsening, more appropriate measures were needed and that called for political will.

41. Mr. BIAOU (Benin) expressed support for the statement made by the representative of Colombia, speaking on behalf of the Group of 77.

42. The report of the Secretary-General (A/48/345) was a useful supplement to the World Economic Survey 1993 which indicated that the external debt of developing countries had increased rapidly to $1,419 billion in 1992.

43. According to the calculations of the World Bank, Africa's external debt had risen from $56 billion in 1980 to over $200 billion in 1992. Over the same period, the ratio of total debt to exports of goods and services had increased from 27 per cent to 363 per cent.

44. Profoundly concerned by that matter, the Assembly of Heads of State and Government of the Organization of African Unity had asked the OAU secretariat to prepare the necessary studies for the examination and reassessment of the situation with respect to the external debt of Africa. It had also decided to convene a meeting of the OAU Contact Group with a view to drafting recommendations on what measures should be taken. Furthermore, it had asked the international community to strengthen existing mechanisms and/or establish new ones, and had urged the seven major industrialized countries to adopt strong new initiatives.

45. The new strategy should take into consideration the multilateral debt, for which no official restructuring mechanism yet existed. The suggestion regarding an ad hoc group of donors, made in paragraph 47 of the Secretary-General's report (A/48/345), was of interest in that regard.

46. The Bretton Woods institutions should review their guidelines, taking into account the evolving circumstances, and should institute an official,

(Mr. Biaou, Benin)

transparent mechanism for restructuring the multilateral debt. Furthermore, the United Nations was the ideal forum for tackling the problem of the debt; the Commission for Sustainable Development would be analysing various factors determining the flow of financial and economic resources, including debt reduction. Appropriate decisions could be taken by other bodies as well, such as, for example, the Paris Club which, in December 1991, had adopted the enhanced Toronto terms, from which 17 countries, Benin among them, had benefited. His country welcomed the initiatives taken by certain creditor countries with a view to reducing or writing off the debt of the least developed countries and of low- and middle-income countries, and other creditor countries should consider analogous measures.

47. Any resolution of the debt problem would require political will and the assignment of priority to such measures as writing off the debt of the least developed countries, reducing the debt burden of other developing countries, appropriating a portion of debt-servicing funds for financing economic and social projects, strengthening South-South cooperation, establishing a tripartite coordinated approach involving creditor countries, debtor countries and financial institutions and wider use of debt conversions for investments in the environment.

48. Mr. JOMAA (Tunisia) supported the views expressed by the representative of Colombia on behalf of the Group of 77. As pointed out in the Secretary-General's report, the external debt of developing countries had reached approximately $1,400 billion by the end of 1992, some $200 billion more than in 1989. All current proposals for reducing the debt, and for rescheduling the debt of developing countries, whether by the Brady Plan, the agreement of the Paris Club or the terms developed at Toronto, were far from satisfactory.

49. Tunisia, one of the middle-income countries, welcomed the initiatives taken on behalf of the poorest countries and suggested that they should be extended to include middle-income countries as well. In that regard, his delegation would have liked to see more emphasis placed on those countries in the Secretary-General's report (A/48/345). It hoped that the report to be submitted the following year would be more complete and would take up that aspect of the issue.

50. Any lasting solution would require a global strategy involving reduction of the stock of and servicing of all kinds of debt for all categories of indebted countries. Various other measures could also be taken: total or partial forgiveness of the official debt of the least developed countries, recycling of the debt by the creation of a special fund fuelled by debt-servicing, which would make it possible to finance employment-generating development projects, use of the debt to finance certain environmental clean-up and protection projects, and creation of new financial cooperation instruments, such as, for example, a European-Maghreb Development Bank. The problem of the African debt called for sustained, global action based on the proposals set out in the African Common Position with regard to the external debt. Tunisia expressed concern at the approach adopted in the Secretary-General's report, of addressing the question of the African debt from a subregional perspective (sub-Saharan Africa as one group, the remaining African countries as another).

51. Mrs. MONTEITH (Jamaica), speaking on behalf of the member States of the Caribbean Community (CARICOM), said that she supported the statement of the Group of 77.

52. Despite notable progress in some areas, the debt crisis was currently far worse than it had been in 1982. With few exceptions, all measures designed to resolve it had failed. Recent estimates put the total stock of debt at $1,400 billion as of the end of 1992. That figure represented an upward trend after a period of relative stability in the late 1980s. Furthermore, certain Caribbean countries had made changes in economic policy by undertaking structural adjustment measures, the social consequences of which had been quite severe. Furthermore, the debt crisis was preventing developing countries from achieving their development goals.

53. In the Latin American region, the debt-to-GNP and debt-to-exports ratios had declined slightly. Jamaica welcomed the initiatives that had brought some relief in the areas of official and commercial debt. Nevertheless, as indicated in the Secretary-General's report (A/48/345), the region's debt-servicing ratio of 30 per cent was still the highest among the geographical groups and was twice the average for all developing countries.

54. The multilateral debt, which offered few possibilities for rescheduling, demanded an approach which incorporated boldness and realism. A review was needed of the operating modalities of those institutions to allow for debt-servicing payments to be restructured or deferred, and for other mechanisms, such as refinancing, to be strengthened.

55. Similarly, the conditions applied to loans provided by international financial institutions should be better adapted to developing countries. The adjustment process must extend over a longer time-period, must minimize social distress and promote growth. Greater coordination was needed between the United Nations and international commercial and financial institutions to strengthen international cooperation with a view to development. Furthermore, the agenda for development should address the problem of the external debt from a global perspective which would consider the economic and social dimensions, and provide solutions.

56. Resolving the debt crisis under the auspices of the United Nations would be the best example of how international cooperation could overcome a development problem. Achieving sustainable development would require the creation of a favourable international trading environment and increased development assistance. Serious consideration should be given to holding an international conference on the financing of development.

57. Mr. Arellano Resendiz (Mexico), Vice-Chairman, took the Chair.

58. Mrs. ULLOA (Ecuador) pointed out that Latin America had succeeded in lowering its ratio of external debt to GNP by reducing its indebtedness and taking on new loans cautiously. None the less, although it had diminished, the debt-to-export ratio remained high, and the debt-servicing ratio remained higher than that of other regions.

(Mrs. Ulloa, Ecuador)

59. The developing countries had made sacrifices in implementing structural adjustment programmes, but had not received sufficient support from the International Monetary Fund and the World Bank. Sustainable development was achieved through adequate financial assistance, provided in a democratic and transparent manner. Negotiations on the restructuring of the region's high multilateral debt needed to take place.

60. Some of the methods proposed by international bodies with a view to resolving the debt crisis were constructive. What mattered at present was not to rehash those ideas, but to put them into practice as rapidly as possible. However - and it was a point that could not be overemphasized - priority must be given to satisfying the most basic social needs, regardless of circumstances.

61. Mr. KARIM (Bangladesh) said that the debt crisis constituted a major obstacle to the growth and development of the developing countries, and as a result, some countries, far from experiencing an economic revival, had seen their economies grow worse. The debt-service burden had increased steadily over the past years, particularly in the least developed countries, where it equalled nearly three quarters of their GDP. While his country welcomed the initiatives of some creditor countries to write off a portion of the debt of the least developed countries, it also recognized that those measures had proved inadequate in reducing their debt overhang. It was therefore essential that all bilateral official debt of the least developed countries should be fully cancelled and that their debt stock and servicing obligations owed to multilateral financial institutions and commercial banks should be reduced substantially.

62. Productive investment should be the cornerstone to any debt-reduction strategy. That strategy should integrate government, commercial and multilateral institutions and should be backed by increased export and unhindered market access. Innovative measures such as debt-for-nature swaps and debt-for-development swaps should be operationalized and their scope broadened. Limitations of the Toronto terms should be reviewed and implementation of the Trinidad terms should be ensured. Any solution to the debt crisis required a strong political will.

63. Mr. PONIKIEWSKI (Poland) said that it was widely perceived, at least for the middle-income countries, that the external debt "crisis" had evolved into a "problem" which could now be brought under control. In fact, the case-by-case approach was beginning to show results. It was accompanied by a growing recognition of the need for official and commercial creditors to reduce debt and for debtor countries to undertake bold adjustment efforts. Debt-reduction agreements should be tailored to the servicing capacity of a debtor country, taking into account social restraints.

64. Yet while that situation had improved, the international trading environment had not been favourable to the success of the liberalization efforts of the developing countries and the economies in transition, which were feeling the pressure of protectionist measures. In that respect, one could only hope that the Uruguay Round would come to a rapid conclusion.

(Mr. Ponikiewski, Poland)

65. Moreover, while debt-burden indicators, which reflected the debt-servicing capacity of countries, had improved at the aggregate level, in his country, debt stock, most of which was denominated in marks, was so great that debt servicing would be a burden for the next several years. While his country had signed an agreement with the Paris Club on the reduction of its official debt, it had not yet been able to conclude a similar agreement with the London Club commercial banks. In its negotiations with the London Club, his country's positions were clear: all elements of debt should be included in a comprehensive package; debt service arising from any agreement had to be consistent with the financial restraints facing Poland; and finally, any agreement had to be compatible with his country's other international commitments, in particular those resulting from the agreement with the Paris Club. His country welcomed the statements of the representative of Belgium on behalf of the States members of the EEC and hoped to conclude an agreement with the London Club in the near future.

66. Mr. HORIN (Ukraine) noted that the debt crisis had been on the agendas of United Nations bodies which dealt with economic issues for many years and that an international debt strategy had been formulated which was beginning to show results. As the Secretary-General noted in its report (A/48/345), the strengthening of international policy on several fronts had led to an amelioration of the debt crisis of many countries and to a reduction of the ratio of external debt to gross national product to the 1982 level. Positive trends in that area were indisputably linked to greater cooperation between debtor and creditor countries. In fact, it was more and more widely recognized that structural-adjustment programmes were essential to social and economic development. In other terms, despite the established effectiveness of the international debt strategy, the international community needed now to introduce innovative mechanisms to complete its objectives. An equitable solution to the debt crisis which took into account the interests of all country groups, including economies in transition, would contribute to the economic development of all countries. It was essential that the debt burden should be reduced if all countries were to be integrated into the world economy. The particular situation of countries in transition required a specific strategy which should include significant debt reductions and various types of debt conversions. The time had come to study the options for debt reduction in those countries, in order to give them the means to proceed with the conversion of their military industry.

67. In his country, the debt problem existed at two levels: on the one hand, as a successor State of the former USSR, Ukraine had to service its share of the external debt, while it had property and assets abroad whose absolute value was much greater. Unfortunately, after more than two years of negotiations, the problem of distributing those assets had not yet been resolved since, according to some, the shared past had only yielded the right to an anaemic and bloated economy, an obsolescent infrastructure and an environment in a critical state. On the other hand, changes in his country's economy had caused other problems to surface, many of which had been unpredictable. The need to import energy resources had created an external debt that Ukraine could not currently repay. In all; like most of the States which were former members of the Soviet Union, it was losing hard currency. Its economy was caught in a vicious cycle of increasing external debt and a lack of resources needed for development. The

(Mr. Horin, Ukraine)

solution to Ukraine's debt crisis depended significantly on the availability of credits, increased foreign aid to realize economic reforms and a significant reduction of domestic energy consumption. Moreover, the Russian Federation, a major supplier of energy, was in no hurry to negotiate with the other successor States of the USSR and was demanding immediate repayment of all new debts. It was interesting to note that it had adopted such a categorical position with respect to the members of the Commonwealth of Independent States, while it itself had received extensions in the repayment of its debts with respect to the West.

68. Given those circumstances, Ukraine was in great need of outside financing. It hoped to develop a relationship with the Paris Club and the London Club and with international financial institutions. It also hoped to obtain a credit for a transformation programme.

69. Mr. Mongbe (Benin) resumed the Chair.

70. Mr. BHATIA (International Monetary Fund) emphasized the crucial role that IMF had played in the development and implementation of the debt-reduction strategy. While it was well known that the Paris Club provided debt restructuring only after the country concerned had entered into a stand-by or other longer-term arrangement with IMF, it was a lesser known fact that IMF was involved in the restructuring of debt owed to commercial banks. Indeed, IMF financed, through stand-by or other medium-term arrangements, operations involving debt and debt-service reduction on the basis of three fundamental criteria: the scope of the economic policies of the country concerned, its prospects for growth, and assurances that such operations represented an efficient use of national resources.

71. Foreign debt should no longer be described as a crisis but simply as a problem. Indebtedness was no longer systemic or global, but rather regional and country-specific, and, moreover, concerned only some components of debt. In the case of commercial bank debt, most of the heavily indebted middle-income countries had succeeded in restructuring their debt. The problem still remained in some lower middle-income and low-income countries where economic and political difficulties had delayed a solution. With regard to official bilateral debt, the Paris Club had responded in various ways to differentiated debt situations. There again, the bilateral debt of many low-income or lower middle-income countries continued to be high, so that their obligations were beyond their debt-servicing capacity; in fact, for low-income rescheduling countries as a group, total financial assistance had been about as large as those countries' own earnings from exports of goods and services in every year since 1986. Lastly, in the case of multilateral debt, although the share in total developing country debt had increased, debt-service obligations had increased only modestly as the result of a shift towards concessional lending.

72. The following lessons could be learned from that experience: progress had been achieved chiefly in countries which had instituted stabilization and reform programmes; the mechanisms currently in place for providing debt relief from both commercial banks and official creditors was functioning well for middle-income countries; and the lending institutions were taking into account

(Mr. Bhatia, IMF)

the profile of existing debt and the limited capacity of low-income countries to service non-concessional loans, and were focusing on financing operations oriented towards direct investment.

73. Mechanisms currently existed to deal decisively with the debt situation of individual countries, including low-income countries, provided that there was sufficient flexibility. The Group of Seven had recently requested the Paris Club to consider providing for earlier reductions in debt stock. In a number of cases, substantial reductions in the debt owed to official creditors would be required to reduce debt-service payments to manageable levels. With regard to commercial debt, the availability of concessional assistance to facilitate buy-backs at deep discounts would be helpful to many low-income countries.

74. As for the multilateral debt, IMF disagreed with the Secretary-General's view that, even after debt-relief measures, a significant number of countries would be left with unsustainable debt burdens. In fact, for the low-income countries debt to the Fund and the World Bank was essentially on concessional terms, so that, in all but a few cases, debt service had declined to manageable proportions. Furthermore, in so far as the strategy relied on medium-term adjustment policies combined with new lending on appropriate terms, it could not be said that new lending only postponed the day of reckoning. Finally, it should be noted that if the Fund were to introduce restructuring mechanisms for its own loans, it would undermine the revolving character of its resources and the burden would fall on the other users of the Fund.

75. If the Committee decided to adopt a resolution on the topic, it should be one that encouraged the Paris Club to use the flexibility provided under the current strategy to offer larger debt relief, urged donors to provide concessional assistance, and encouraged debtor countries to persevere in the implementation of strong and growth-oriented adjustment programmes.

76. Mr. OLANIYAN (Organization of African Unity) said that the debt crisis was a major impediment to the efforts of the African countries to overcome economic recession and promote development. Sub-Saharan African debt accounted for 12 per cent of the total volume of external debt of developing countries; it was, however, not the volume of debt that caused the problem but the burden of debt-service payments. Although the debt-service ratio had declined from 27.9 per cent in 1985 to 19 per cent in 1992, it still constituted an extraordinary burden for the world's poorest continent. Africa was currently spending four times more on debt-servicing than on the health services it provided for its 600 million people. Private investment would be crucial to solving the crisis, but the efforts of the African countries in that direction had not yielded tangible results and foreign investors were unwilling to take risks in countries that had been classified as bad debtors.

77. The Organization of African Unity welcomed the various initiatives taken by the United Nations, which had culminated in the adoption of plans aimed at easing the debt burden of developing countries. However, as the UNCTAD secretariat had pointed out, the fact that the external debt of those countries had not been significantly reduced suggested that the arrangements were not entirely satisfactory. The majority of the members of the Paris Club had

(Mr. Olaniyan)

decided to apply the less ambitious Toronto terms rather than the Trinidad and Tobago terms proposed by the United Kingdom. Moreover, most creditor Governments had difficulty in recommending debt forgiveness. It was obvious, therefore, that the current arrangements needed to be further refined and that appropriate complementary measures would have to be taken to alleviate the debt-servicing burden of the developing countries.

78. For a lasting solution to the debt crisis in Africa, it was essential to strengthen the foreign trade of African countries, to increase the number of export commodities through support for the establishment of the Commodity Diversification Fund, to fix better prices and to increase financial flows to the industrial sectors of the African countries to enable them to produce industrial products for exports.

79. Mr. HORIGUCHI (Japan) noted, in connection with the report of the Secretary-General (A/48/345), that solving the debt problem would not ipso facto eliminate external financial restrictions and resolve development problems. The problem was one which should be addressed in a comprehensive manner, taking into account all the aspects of economic growth and development. Debtor countries should adopt the necessary structural adjustment measures, supported by a favourable international economic environment and appropriate external assistance. His delegation welcomed the vigorous efforts made by a number of developing countries to address the adverse economic and social effects of structural adjustment policies. At the international level, he reaffirmed the importance of achieving a resumption of non-inflationary growth in the developed countries and a successful and early conclusion of the Uruguay Round. Assistance to debtor developing countries should help them to achieve access to private financing for their future growth. At the same time, the official financial assistance provided by the international community might well act as a catalyst. Japan had announced the establishment of a Fund for Development, through which a total of $120 billion would be expended over five years in the form of both official development assistance and private funds.

80. It should also be emphasized that the debt situation varied from region to region and from country to country, as did the economic environment in which the debtor countries existed. The international community should bear that in mind in providing assistance.

81. In conclusion, he said that Japan attached the highest importance to cooperation in solving external debt problems and hoped that progress would be made at the current session.

82. Mr. AMAZIANE (Morocco) said that, while some delegations maintained that the matter was no longer relevant and that no resolution should be adopted on the subject, it was in fact up to the indebted countries to decide. The crisis was still raging in Africa.

83. The total debt had increased very little between 1991 and 1992, owing above all to the exceptional growth in many Asian countries and, overall, the external debt indicators in the developing countries had improved because of the vitality of the economies of the Asian countries and the reduction in the debt of the

(Mr. Amaziane, Morocco)

Latin American countries. The external debt of the African countries was, however, having a devastating effect on the region, where the debt-to-GNP ratio and debt-to-export ratio were nearly three times that of the averages for the developing countries, mainly because most of the African countries remained dependent on exports of commodities, the prices of which were declining.

84. The international community had finally taken measures to reduce the intensity of the debt crisis and to eliminate the threat it represented for the international financial system. Noteworthy in that connection were the Brady Plan, the Houston terms, the Toronto terms and the enhanced Toronto terms. Nevertheless, many developing countries, particularly in Africa, had been unable to extricate themselves from debt, and increased international action would certainly be required. Creditor developed countries should adopt the Trinidad and Tobago terms for low-income countries. In addition, the international community should grant special treatment to lower middle-income developing countries which had introduced structural adjustment programmes so that they could mitigate the adverse effects of those reforms on the most disadvantaged social groups. Indebted countries could become solvent again only if solutions to the debt crisis were accompanied by measures to revitalize economic growth. Indeed, only a more stable and less uncertain international trade system could ensure substantial and predictable export revenue. Moreover, developed countries needed to adopt macroeconomic policies which would increase the stability of financial flows and ensure low interest rates, while developing countries must pursue structural adjustment policies accompanied by safety nets to protect the most vulnerable population groups.

85. The outlook for the flow of official development assistance was hardly encouraging in view of the role that such assistance played in alleviating the financial constraints of low-income countries. It was to be hoped that that was the result of a difficult economic phase rather than a deliberate policy on the part of donor countries.

86. Morocco had been carrying out a structural adjustment programme since 1983; as a result it had reduced imbalances substantially, ended its regular reliance on IMF resources and put an end to the cycle of restructuring. Despite two consecutive years of drought, it intended to pursue its restructuring efforts and to maintain its rigorous financial policy, while according priority to social development activities.

87. Mr. MUCHANGA (Zambia) said that the external debt crisis was no longer a threat to the international financial institutions and to the development of some developing countries. It continued, however, to threaten the development prospects of the African countries, whose exports were not growing rapidly and whose debt burden had not been relieved by debt and debt-service reductions. The debt-to-GNP ratios and the debt-to-export ratios in the African countries were nearly three times the average for all developing countries.

88. The officially accepted initiatives of the Paris Club were far from adequate when it came to resolving the debt crisis of the African countries and promoting their lasting recovery. In his own country, excessive payment obligations were delaying economic reforms, thus accentuating the austerity

(Mr. Muchanga, Zambia)

measures which the population had to endure. Debt and debt-service reduction should be consistent with sustained economic growth. The debt-to-export ratio should be brought below 20 per cent and, as called for in the New Agenda for the Development of Africa in the 1990s, donor support needed to grow at 4 per cent in real terms in order to revitalize growth in Africa.

89. Efforts to deal with multilateral debt also needed to be accelerated. The "fifth dimension" programme operated by the International Development Association and the rights accumulation programme of IMF had helped to solve the African debt crisis. Unfortunately, because of their external account deficits, a number of African countries were losing their right to borrow from the Bretton Woods institutions. That was a problem which must be resolved on an urgent basis.

90. A number of bilateral creditors were reluctant to embrace the Trinidad terms. It was to be hoped that many Governments would soon adopt that debt-reduction strategy, because the crisis in Africa was currently sapping the strength of the international system. The international community could not afford to let that crisis worsen.

91. Mr. THAKUR (India) said that some delegations felt that the debt question could only be dealt with on a case-by-case basis; that several rescheduling arrangements had been worked out; and that the process must be allowed to follow its course. Yet, the aggregate debt of the developing countries had only increased and the number of countries that had benefited from rescheduling remained limited. It was therefore essential to adopt an overall international strategy, incorporating measures for debt reduction and providing increased financial flows to low-income countries which continued to meet their obligations.

92. His own country had altered the structure of its debt by choosing medium- and longer-term financing in lieu of short-term capital and it had placed a cap on external borrowing, which was being diverted to basic industries with potential for saving, or even earning, foreign exchange. It had adopted a far-reaching programme of macroeconomic stabilization and structural reform. Its efforts had yielded some results. The deficit, like inflation, had been reduced, foreign currency reserves had increased, and there had been an acceleration in the growth of GDP. However, as the balance of payments would remain precarious for several more years, his country needed debt reduction and concessional flows, especially since its share of credit from the International Development Association had declined in recent years.

93. Efficient domestic policies were a necessary but not sufficient condition for sustained growth and the alleviation of poverty. Without the necessary infrastructure and a stable balance of payments, direct foreign investment would be limited. Furthermore, experience had shown that, in low-income countries, supply responded to adjustment programmes more slowly than expected. It was thus essential to address the debt issue as part of an overall package to improve the international economic climate.

(Mr. Thakur, India)

94. For the first time in decades, there were real prospects for truly universal economic and social cooperation. The conquest of hunger, ill health, and illiteracy was a feasible goal provided that the international community pooled its knowledge and its resources.

The meeting rose at 12.50 p.m.